

Friday, May 07, 2021

Owlet, Inc. (OWLT) Initiation of Coverage

DEAL CONTOURS & VALUATION

SPAC	Sandbridge Acquisition Corp. (NYSE: SBG.U)
DE-SPAC	Owlet Baby Care, Inc.
Combined Entity Name	Owlet, Inc.
Proposed Ticker	OWLT
EV	\$1,074 Mn
EV/2022E Revenue	6.2x
PIPE Amount	\$130 Mn
Cash to Balance Sheet	\$325 Mn
Net Debt	\$315 Mn
Deal Closure	2Q21

FUNDAMENTALS

Sales (\$-Mn)	
CY20	\$75.4
CY21E	\$107.2
CY22E	\$174.7
CY23E	\$316.4
CY24E	\$581.4
CY25E	\$1,064.5
EBITDA (\$-Mn)	
CY20	\$(8.5)
CY21E	\$(26.3)
CY22E	\$(26.6)
CY23E	\$(13.0)
CY24E	\$55.2
CY25E	\$168.2

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Set to Dominate the Connected Nursery of Tomorrow

- Owlet (OWLT) has built a connected and accessible nursery ecosystem that brings technology and vital data to modern parenting.** OWLT is the leading baby tech brand that offers parents a one-stop shop for their digital parenting needs, accelerating the shift from curative to preventive healthcare. Its products include: 1) Owlet Smart Sock, 2) Owlet Cam, 3) Owlet Monitor Duo, and 4) Dream Lab. The Smart Sock, OWLT's flagship product, is the first baby monitor to track a baby's oxygen level and heart rate. In addition to the advantages offered individually by these products, they form a part of the connected nursery/ecosystem that OWLT has built to 1) provide real-time data and insights to parents, and 2) simplify the purchasing journey for parents at retail outlets and online by creating products that work together in one app and with enhanced integrated features. The company has also positioned itself well to cater to the unmet health and business needs of the baby tech market, through futuristic products like the Pregnancy Band, BabySat, and the OTC Sock.
- OWLT has a leadership position in a highly attractive sector and has a wide and enduring moat surrounding its business.** OWLT's digital parenting platform sits at the center of the disruptive and fast-growing consumer, tech, and healthcare markets. The TAM for OWLT's products is growing at a 37% CAGR and will be worth \$81 billion by 2025. We believe OWLT stands out in this market due to the following: 1) its connected ecosystem platform, 2) proprietary data advantage, 3) early mover advantage on both tech and brand, 4) complementary technologies, 5) design features optimized for in-home digital health (telehealth), 6) robust multi-channel distribution strategy, and 7) a best-in-class management team.
- Visionary and proven leadership team.** Led by Kurt Workman, leadership team is squarely focused on the baby-tech market and has experience in healthcare, software, product, and technology at companies including Specialized, Vivint Smart Home, Under Armour, Amazon, and United Healthcare, with a combined over 100 years of professional experience. The experience of OWLT's management team will be complemented by the financial and strategy experience that will be brought into the company by Sandbridge Acquisition Corp., including its CEO Ken Suslow.
- Focused growth strategy aimed at \$1 billion+ topline by 2025.** OWLT's multi-pronged growth strategy comprises of the following: 1) leveraging brand awareness and growing distribution to increase penetration, 2) adding new data-driven products to expand the digital parenting ecosystem, 3) investing in clinical research and pursuing FDA marketing authorization for its products, and 4) expansion to new geographical markets across the world. All these strategic priorities are aimed at helping the company garner higher market share, grow topline to \$1 billion+ by 2025, expand the Owlet product portfolio, and optimize customer lifetime value and customer acquisition costs. Overall, OWLT aims to achieve 67% revenue CAGR between 2019 and 2025E, while gross margins are expected to expand from 46.0% to 56.3%.
- Reasonably valued – cuts across highly attractive comps universe and is an outlier.** OWLT possesses a rare combination of underlying profitability and strong core growth, all within a large and growing TAM. It is best-in-class among peers on both revenue growth and profitability. While near-term growth is strong, long-term growth is even more exciting with expanding software service capabilities and telehealth. The deal with Sandbridge values OWLT at \$1.074 billion, implying a ~6.2x EV/2022E Net Revenue multiple. This is a discount to the EV/Revenue multiple of peers like Amwell and Inspire that trade at 22.9x and 28.4x 2022E revenue, respectively, leaving room for upside for new investors that are looking to benefit from OWLT's future growth.

The Business Combination and Resulting Company Overview

Sandbridge Acquisition Corp. + Owlet Baby Care Inc. = Owlet, Inc. (OWLT)

- **Sandbridge Acquisition Corporation (NYSE: SBG.U).** Sandbridge is a blank check company or a special purpose acquisition company (SPAC) formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses. Sandbridge is focused on the consumer sector and consumer-related businesses, which complements the expertise of management team, directors, and advisors, that includes CEO Ken Suslow who is the founding Managing Partner at Sandbridge Capital. SBG's team includes experienced industry operators and investors who have partnered with leading high-growth consumer companies, including Thom Browne, Rossignol, The RealReal, Farfetch, and Hydrow. An affiliate of Sandbridge Capital and certain private funds managed by PIMCO are members of Sandbridge's sponsor.
- **Owlet Baby Care Inc.** Owlet Baby Care was founded by a team of parents in 2012 and has built a connected and accessible nursery ecosystem that brings technology and vital data to modern parenting. The company's bestselling flagship product, the Owlet Smart Sock baby monitor, uses proprietary and innovative pulse-oximetry technology to track a baby's heart rate, oxygen levels, and sleep patterns to provide parents with invaluable peace of mind. The Owlet Smart Sock integrates seamlessly with Owlet's camera product, the Owlet Cam, enabling parents to see and hear their babies via Owlet's convenient smartphone app. The company's product and services platform is designed to serve first adopters and millennials and future generations by providing parents with the right information at the right time to best care for their babies. Owlet's products have garnered industry praise and recognition, receiving 21 industry awards and 15 design and innovation awards.
- **On February 16, 2021, Sandbridge Acquisition Corporation and Owlet Baby Care Inc. announced that they have entered into a definitive merger agreement.** Upon completion of the transaction, the combined company will be renamed to Owlet, Inc. and its securities are expected to be traded on the New York Stock Exchange (NYSE) under the symbol "OWLT." **The business combination values Owlet on a pre-transaction basis at a \$1,000 million equity value and values the post-transaction combined company at an enterprise value of approximately \$1,074 million.** It is expected to deliver up to \$325 million of cash to the combined company, after payment of estimated transaction expenses, through the contribution of up to \$230 million of cash held in Sandbridge's trust account and a \$130 million concurrent private placement (PIPE) of common stock, priced at \$10.00 per share.
 - **PIPE participants include leading institutional investors**, including funds managed by Fidelity Management & Research LLC, Janus Henderson Investors, Neuberger Berman Funds, OrbiMed, private funds affiliated with PIMCO, and Wasatch Global Investors.
 - **As part of the transaction, Owlet's current management and existing equity holders intend to roll nearly 100% of their equity into the combined company.** Leading existing institutional backers of the company, including Eclipse Ventures and Trilogy Equity Partners, intend to roll 100% of their equity into the combined company.
 - **Upon completion of the transaction, Owlet's existing shareholders are expected to receive 72% of the pro-forma equity.** Sandbridge founders and affiliates will own 2% of the combined entity while Sandridge investors will own ~17%. PIPE investors will own ~9% of Owlet, Inc.
 - **The transaction has been approved by boards of both Owlet and Sandbridge and is expected to close in 2Q21,** subject to approval of Sandbridge and Owlet stockholders and other closing conditions, including a registration statement being declared effective by the U.S. Securities and Exchange Commission.

Chart 1: Detailed Transaction Overview

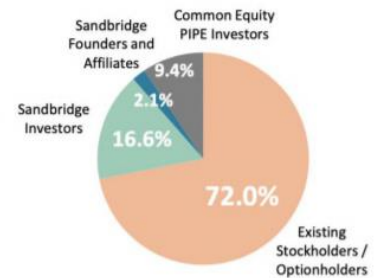
Estimated Sources and Uses

(\$ in millions)

Sources	Pro Forma Valuation
SPAC Trust Equity ⁽¹⁾	\$230
Company Stockholder / Optionholder Equity Rollover ⁽²⁾	1,000
Founder Shares ⁽³⁾	29
Committed PIPE	130
Total Sources	\$1,389

Uses	Valuation Multiples
Company Stockholder / Optionholder Equity Rollover ⁽²⁾	\$1,000
Cash to Balance Sheet ⁽¹⁾	325
Founder Shares ⁽³⁾	29
Estimated Transaction Fees & Expenses	35
Total Uses	\$1,389

Pro Forma Valuation	
Illustrative Price per Share	\$10.00
Pro Forma Shares Outstanding (mm) ⁽³⁾	138.9
Equity Value	\$1,389
(+) Net Debt ⁽⁴⁾	(315)
Enterprise Value	\$1,074



Source: Intro-act, OWLT

- (1) Assumes no redemptions by Sandbridge's public stockholders.
- (2) Calculated on a fully diluted, net exercise basis.
- (3) Excludes 2.8 million shares that will remain subject to vesting and vest only upon achievement of share price performance thresholds.
- (4) Assumes ~\$10 million of net debt (excluding ~\$2 million of forgivable government loans) projected at 12/31/2020E, on a pro forma basis for the transaction in addition to (\$230 million) of cash from SAC, (\$130 million) of cash from PIPE investors, and transactional fees and expense of \$35 million.

Chart 2: Transaction Summary and Timeline

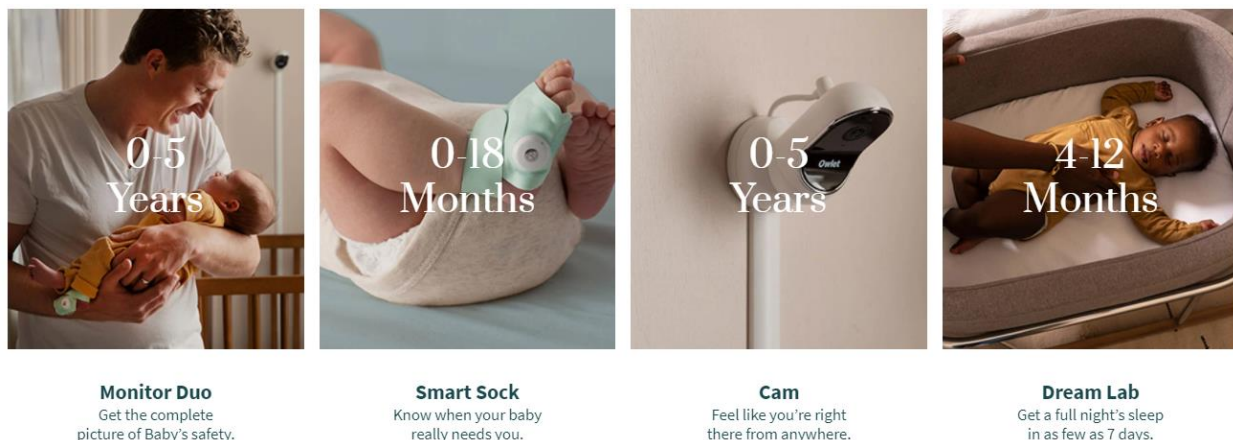
Ownership	<ul style="list-style-type: none"> Existing stockholders / optionholders to receive ~72% of the pro forma equity Sandbridge founders and affiliates to own ~2%, Sandbridge investors to own ~17%, and common equity PIPE investors to own ~9%
Capital Structure	<ul style="list-style-type: none"> \$230 million cash in trust \$130 million private placement of common stock at \$10.00 / share Use of proceeds: Growth capital
Governance	<ul style="list-style-type: none"> Up to 9 director board, 2 of which determined by SBG Sponsor and the remainder determined by Owlet Eclipse has continuing board designation right until drops below 10% ownership of combined company
Equity Alignment	<ul style="list-style-type: none"> Owlet management and the sponsor group are subject to equity lock-ups <ul style="list-style-type: none"> Sandbridge sponsor equity subject to 18 month lock-up Management is rolling all of its equity and is subject to 18 month lock-up Partial early release upon achievement of share price performance thresholds starting after 9 months
Other Details	<ul style="list-style-type: none"> Combined company to be named Owlet, Inc. Voting agreements for Sandbridge Sponsor and other Sandbridge stockholders representing ~27% of the Sandbridge voting power Non-redemption agreements from Sandbridge stockholders representing all shares of Class B Common Stock, which are convertible into shares of Class A Common Stock
Timing	<ul style="list-style-type: none"> Proxy expected to be distributed in Q2'21 and closing as soon as practical thereafter Subject to customary closing conditions including Sandbridge stockholder and regulatory approvals

Source: Intro-act, OWLT

Owlet, Inc. (OWLT) – Building the Connected Nursery of Tomorrow

- Launched in 2012 by a committed team of parents, OWLT has built a connected and accessible nursery ecosystem that brings technology and vital data to modern parenting.** OWLT’s mission is to empower parents with the right information at the right time, to give them more peace of mind, and help them find more joy in the journey of parenting. OWLT’s digital parenting platform intends to give parents real-time data and insights to help parents feel calmer and more confident.
- To meet its business objectives, OWLT offers four products namely: 1) Owlet Smart Sock, 2) Owlet Cam, 3) Owlet Monitor Duo, and 4) Dream Lab, in a connected ecosystem – a standout feature in the parenting market.** The Smart Sock – OWLT’s flagship product – is the first baby monitor to track a baby’s oxygen level and heart rate—the best indication of baby’s health—while they sleep. It uses proprietary and innovative pulse-oximetry technology to track a baby’s heart rate, oxygen levels, and sleep patterns to provide parents with peace of mind. The Owlet Cam streams HD 1080p video with night vision and two-way audio to smartphone over a secure, encrypted WiFi connection so parents can hear and see their baby from anywhere. The Owlet Monitor Duo offers the intelligence of Smart Sock paired with the Owlet Cam. It is the first smart baby monitor to combine the ability to track baby’s heart rate, oxygen level and sleep trends with HD video. Dream Lab offers safe, easy, and proven ways to build healthy sleep habits that support a child’s development and boost parent engagement. Designed for babies 4 to 12 months, Dream Lab is a convenient, online, and interactive sleep program designed specifically for baby. In addition to the advantages offered individually by these products, they form a part of the connected nursery/ecosystem that OWLT has built to 1) provide real-time data and insights to parents, and 2) simplify the purchasing journey for parents at retail outlets and online by creating products that work together in one app and with enhanced integrated features.

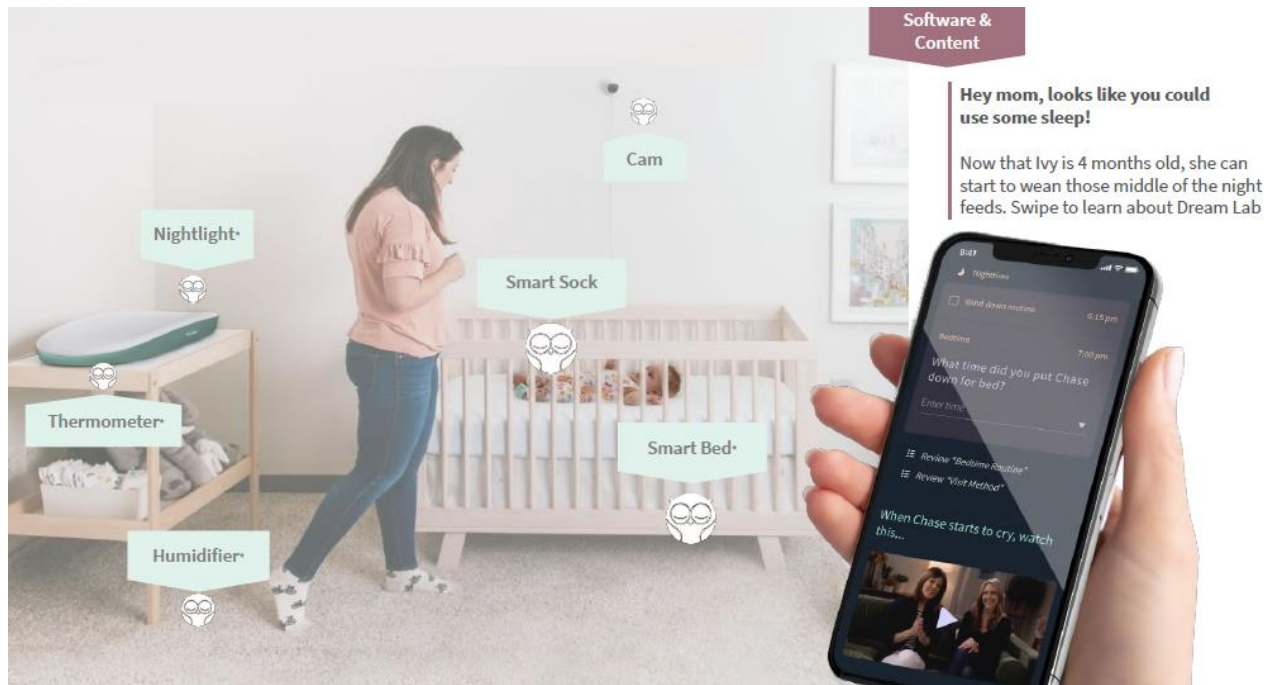
Chart 3: Key Products Offered by OWLT



Source: Intro-act, OWLT

- Over the years and driven by the advantages of its connected nursery ecosystem, OWLT has built a strong brand and a loyal customer base of brand ambassadors who value the information and peace of mind that its products provide during some of the most critical moments of their child’s developmental journey.** Most of OWLT’s consumers and loyal advocates are first-adopters and millennials, a high-value demographic that is influential in product trends and digital-application adaptation. OWLT’s product and services platform is designed to serve these customers and future generations by providing parents with the right information at the right time to best care for their babies. The combination of OWLT’s strong brand, connected nursery, and a loyal base helped the company grow its revenue 50% y/y to ~\$75 million in 2020, a number that is estimated to top \$1 billion by 2025 per management estimates. In addition, OWLT’s products have received multiple awards, including the Consumer Electronics Show award for Best Wearable for the Owlet Band in 2019 and being an honoree in the Consumer Electronics Show in the Software & Mobile Apps category for the Owlet Dream Lab in 2020.

Chart 4: With the Smart Sock as the Anchor, OWLT is Creating the Connected Nursery ...



Source: Intro-act, OWLT. *In Research and Development.

Chart 5: ... By Taking the Headache Out of Parenting and Offering All Solutions Under One Roof



Source: Intro-act, OWLT

Industry Overview – OWLT Is a Leader in a Highly Attractive Sector

Owlet Brand – Sitting at The Intersection of Consumer, Tech, and Healthcare Markets

- OWLT’s digital platform for parenting sits at the center of the disruptive and fast-growing consumer, tech, and healthcare markets. The total addressable market (TAM) for OWLT’s products is growing at an impressive 37% CAGR and will be worth \$81 billion by 2025.** The market for baby health tech solutions is being driven by 1) rising population of tech-savvy and working millennial parents that need child surveillance at home and at their workplaces, 2) increase in sudden infant death syndrome (SIDS) and sudden unexpected infant deaths (SUID), and 3) growing popularity of consumer health solutions, including telehealth. Growth of the maternal and infant care digital health solutions market is also being driven by integration of artificial intelligence (AI) and other leading technological solutions into baby health monitoring solutions as part of the shift from curative to preventive healthcare. OWLT stands out in this market as its connected nursery platform lies at the intersection of three large and disruptive end markets – consumer, tech, and healthcare – and offers parents a one stop shop for their digital parenting needs, thus accelerating the move toward preventive healthcare. Driven by these factors and based on the United Nations global population estimates of children aged zero to five and prices of OWLT’s current products and estimates for prices of products in development, the TAM for OWLT is expected to grow from \$23 billion this year to over \$80 billion by 2025.

Chart 6: Owlet Is A Leading Brand Sitting at the Intersection of Disruptive Markets ...

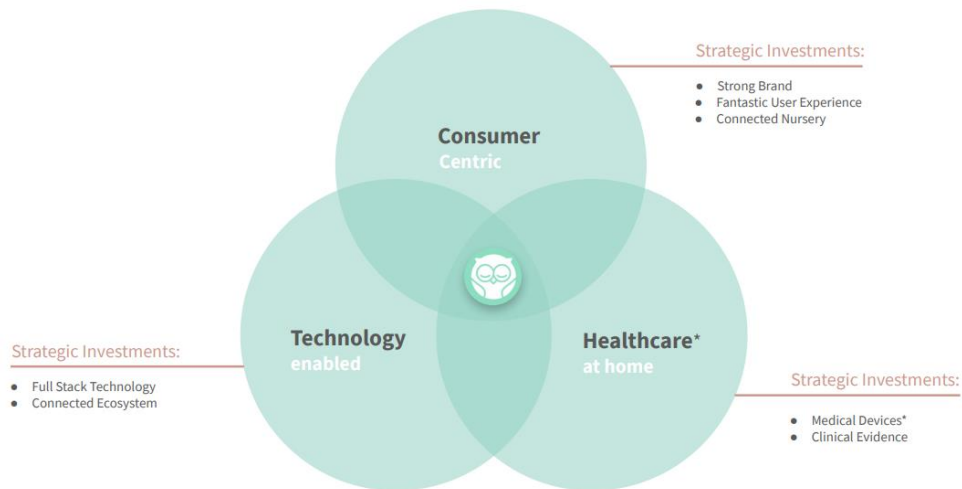
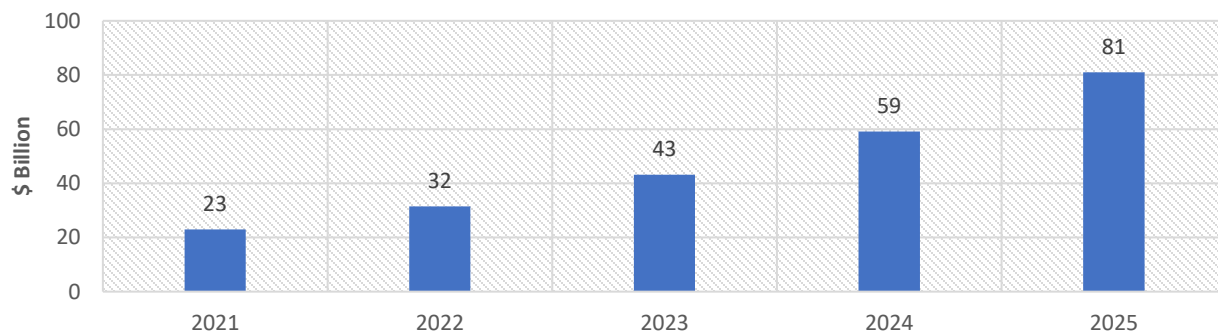


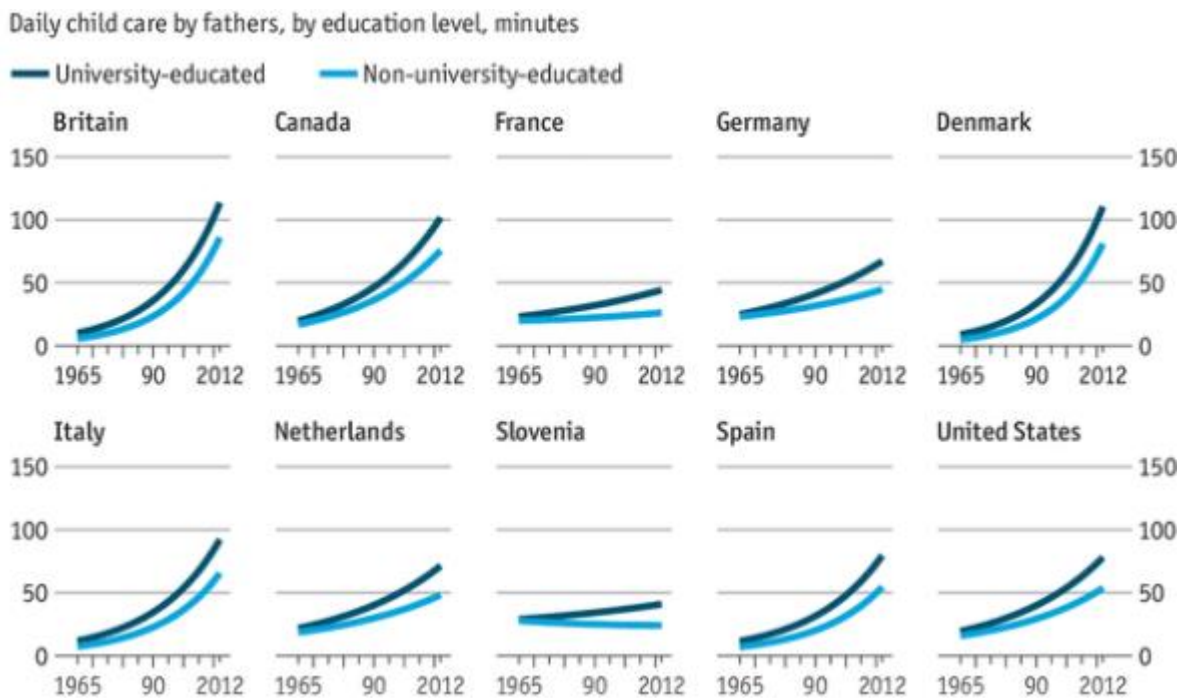
Chart 7: ... With a Large and Fast-Growing TAM That Will Top \$80 Billion by 2025



Source: Intro-act, OWLT

- We believe the market for OWLT’s products is at an inflection point due to three emerging trends: 1) greater engagement, use of technology, and spending on baby tech products by millennial parents that are loyal to their favorite brands, 2) increased acceptance and use of biometrics, and 3) growing adoption of digital health solutions – including telehealth – across the board. We discuss each of these in detail below.
- Millennial parents – OWLT’s key target market – are more engaged in their children’s upbringing, are more tech savvy, are earnings more and are willing to spend more on baby health solutions offered by their favorite brands. These are key drivers of market growth for OWLT’s solutions.
 - **Higher engagement.** According to a 2018 report by the National Retail Federation, millennials are parents to 50% of today’s children. Further, more than 1 million millennial women become new mothers each year and millennials make a significant contribution to the \$1 trillion U.S. parents spend annually on raising their children, thanks in part to their rising education and income levels. Further, the current generation of parents is much more engaged in raising their children vs. the previous generations even though nearly half the parents today are both in the workforce. The growing engagement level is evident in the fact that fathers are spending a lot more time – 59 minutes a day – with their children than fathers spent with their children in the 1960s, when they averaged only 16 minutes a day of time spent parenting.

Chart 8: Child-Care Time Spend by Parents is on the Rise Worldwide, Including in the U.S.



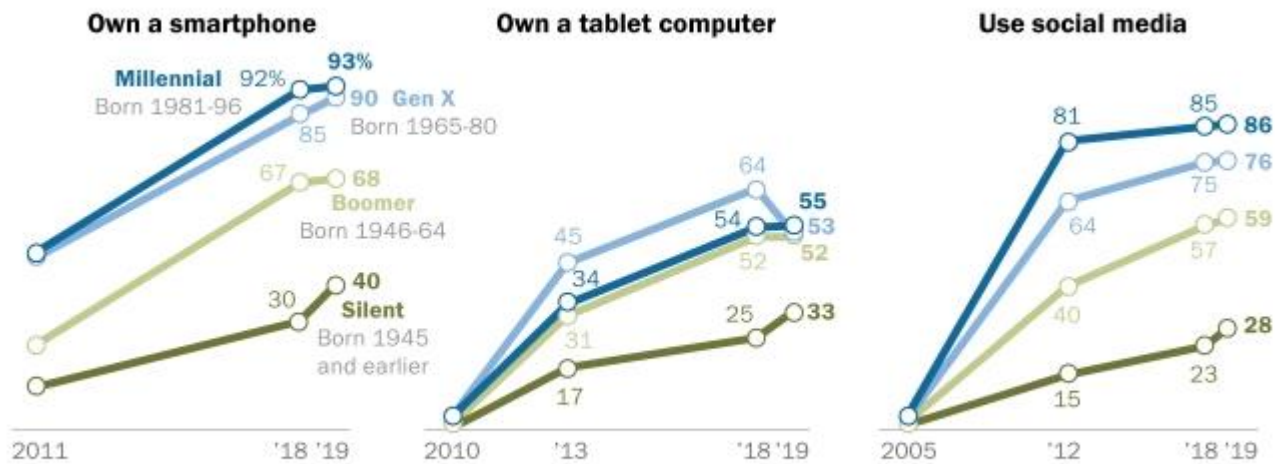
Source: Intro-act, The Economist, Educational Gradients in Parents’ Child-Care Time by G.M. Dotti Sani and J. Treas

- **Greater use of technology by millennials.** Technology has become an indispensable part of everyone’s lives in recent years as a lot of people use a variety of apps and wearables to track and quantify almost every aspect of their daily routine, including their fitness, diet, sleep cycles, and work habits. This technology has now found its way into children’s nurseries as well, as a growing number of new parents are turning to smart baby technology to help them keep track of their child’s health. This has led to the launch of the development of baby-focused tech – ranging from high-tech baby monitors to smart pacifiers – in the market by companies worldwide. Over the years, these baby products have evolved to become more complex, integrating more sensors, diversifying

data inputs, and providing comprehensive digital platforms. For example, an ‘intelligent baby feeding monitor’ attaches to the bottom of a standard bottle and provides data feedback to a smartphone via Bluetooth. Several aspects of mealtime that are usually intuited – how much a baby drinks, the temperature of the milk and even the angle of the bottle – are tracked via the accompanying app. With these new products, modern parents now have access to an entire connected nursery with data feedback from bottles, dummies, cots, prams, clothing, and more. Some of these products are meant to ease stress for new parents, while others simply automate parts of the parenting process entirely – shifting many tasks that were once intuition-based to fully automated. Overall, parents rely on technology more than ever – led by millennials (see chart below) and this reliance is only going to increase as Generation Z and Generation Alpha become parents in the coming years and decades. **This is important because according to a panel study conducted by Lux Insights Inc., early tech adopters are up to 3x more likely than slower tech adopters to own the Smart Sock – OWLT’s flagship product.**

Chart 9: Millennials – OWLT’s Target Segment – Lead on Technology Adoption

% of U.S. adults in each generation who say they ...



Note: Those who did not give an answer are not shown.
Source: Survey conducted Jan. 8 - Feb. 7, 2019.

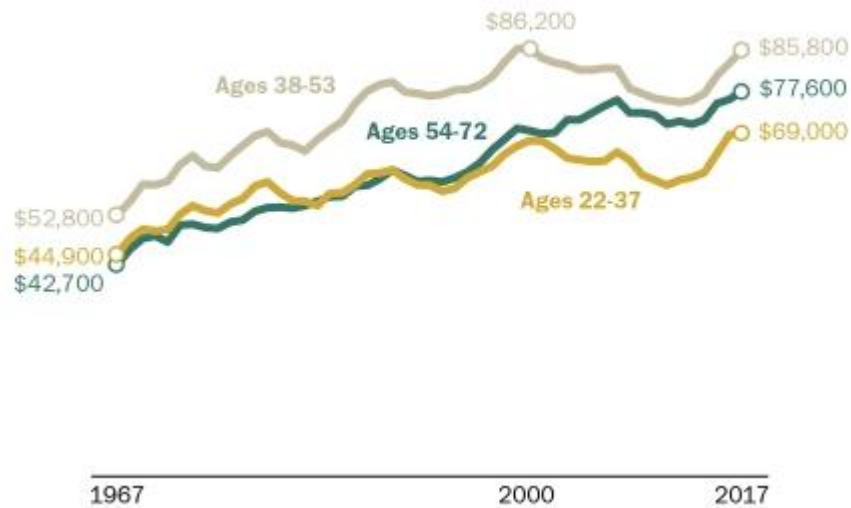
Source: Intro-act, Pew Research Center

- Young parents are earning more, thanks to the rise in working women population, and are willing to spend more on baby health brands of their choice – a big advantage for Owlet that has established a strong brand in this space.** According to Pew Research Center, American households headed by a millennial now earn more than young adult households did at nearly any time in the past 50 years. The median adjusted income in a household headed by a millennial was \$69,000 in 2017, higher than for nearly every other year on record, apart from around 2000, when households headed by people ages 22 to 37 earned about the same amount – \$67,600 in inflation-adjusted dollars. A key factor contributing to this rise is the rise in working women and an increase in their income. Women in millennial households worked more in 2017 than their counterparts in young adult households did in 2000. Among those who were employed, 78% of women in millennial households in 2017 worked at least 50 weeks of the year vs. 72% in 2000. Further, the median earnings of women working full time for a full year in millennial households rose from \$37,100 in 2000 to \$39,000 in 2017. Further, a survey of 3,000+ U.S. adult consumers found that **once a brand gains the loyalty of millennial parents, they are much more likely to stick with it than other parents.** The survey found 49% remain loyal to a brand despite cheaper options, compared

with 30% of other parents. The combination of a strong brand and millennials rising spending power position Owlet well to emerge as a winner in its target market.

Chart 10: Millennials Are Earning More Than Most Older Americans Did at The Same Age

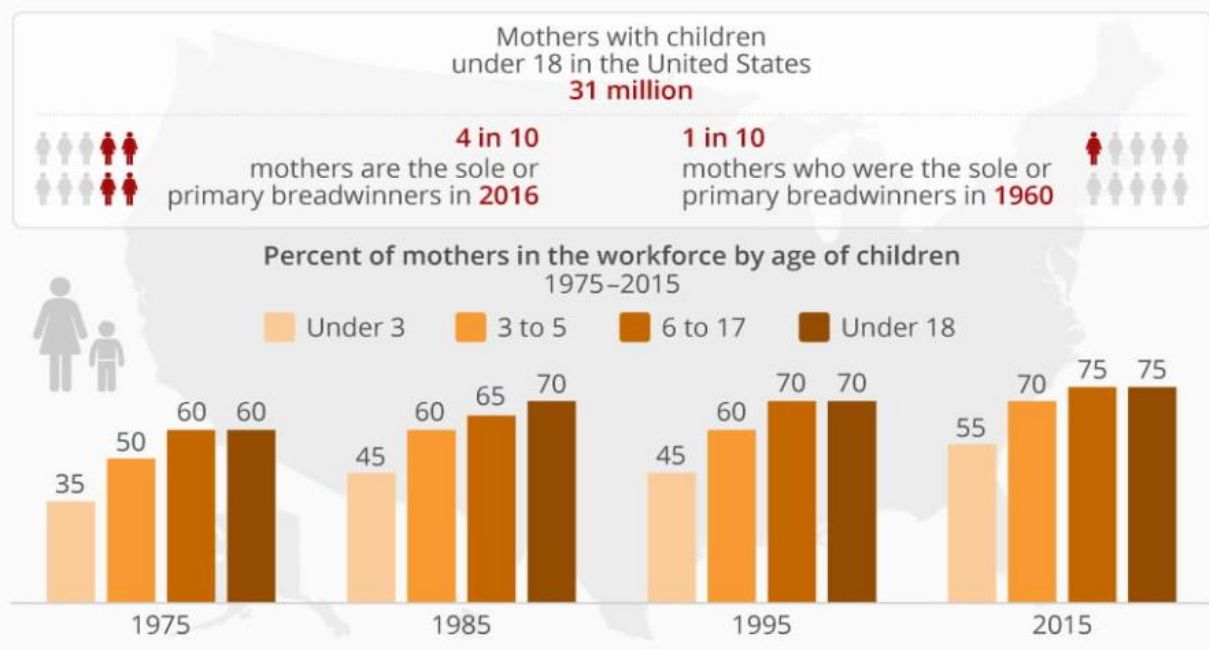
Median adjusted household income, in 2017 dollars and scaled to reflect a three-person household



Source: Intro-act, Pew Research Center

Chart 11: Working Moms by the Numbers in the United States

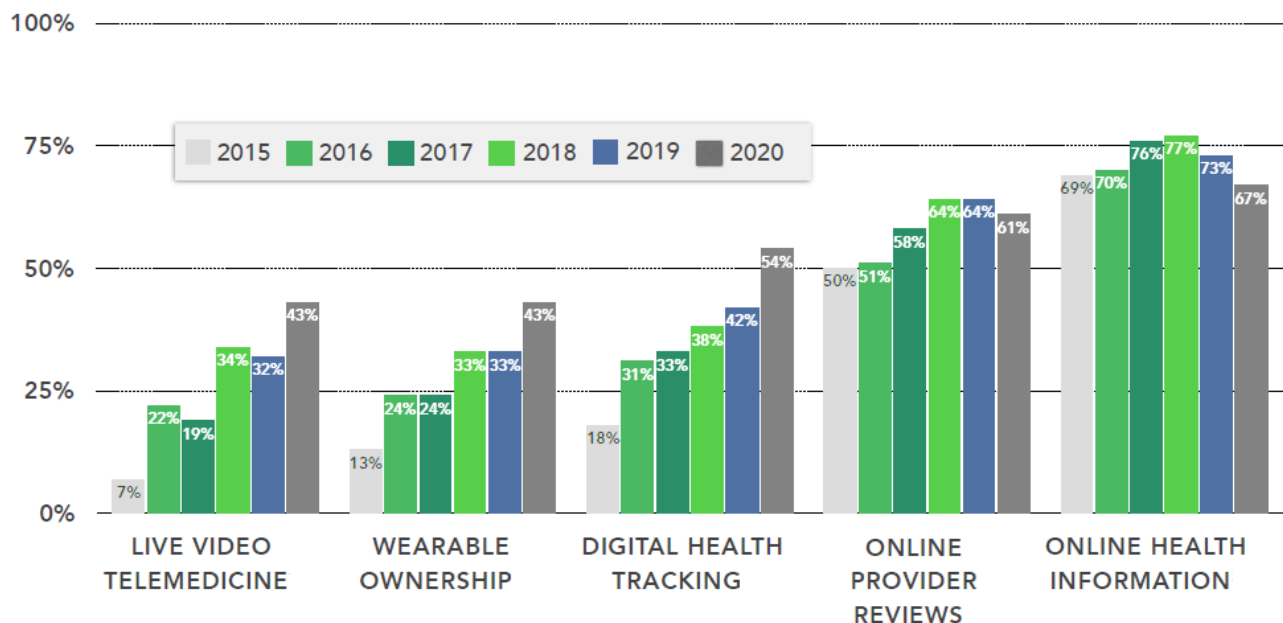
Overview of statistics on working mothers in the United States*



Source: Intro-act, Statista

- The second force that is driving the inflection in the baby tech solutions market is the growing adoption of digital health tools – especially wearables and digital health tracking (OWLT’s target segments).** While 2020 will be marked by the global tragedy of the COVID-19 pandemic, it will also likely be known as the year that digital healthcare finally took its long-awaited position at the top of the healthcare delivery chain. No longer a “nice to have,” digital health tools like telehealth and connected devices have become a “must have” for patients and healthcare organizations. According to a Rock Health survey, digital health adoption soared across the board in 2020 with a marked rise in wearable ownership and digital health tracking – key segments of the digital health market OWLT operates in. Wearable use was up in 2020, with 43% of all respondents reporting that they owned a wearable (up from 33% in 2019), while over half of the respondents tracked a health metric (e.g., weight, heart rate, blood pressure) using a digital tracker, up 12 percentage points from 2019. Further, the move by providers to offer remote care yielded a significant uptick in use of live video telemedicine, with 43% of respondents reporting that they had a video consultation (compared to 32% in 2019). Apart from COVID-19, trends like consumer preference for technological tools, higher convenience, increasing transportation costs, aging population, and shortage of healthcare providers are making it increasingly difficult for people to physically visit clinics and hospitals. As a result, patients and parents are increasingly looking to healthcare solutions that can be offered online and via mobile apps, a trend that is only going to increase in the years to come, benefiting companies like OWLT that are well placed to provide technology-driven solutions to young patients.

Chart 12: COVID-19 Has Accelerated the Adoption of Digital Health Tools

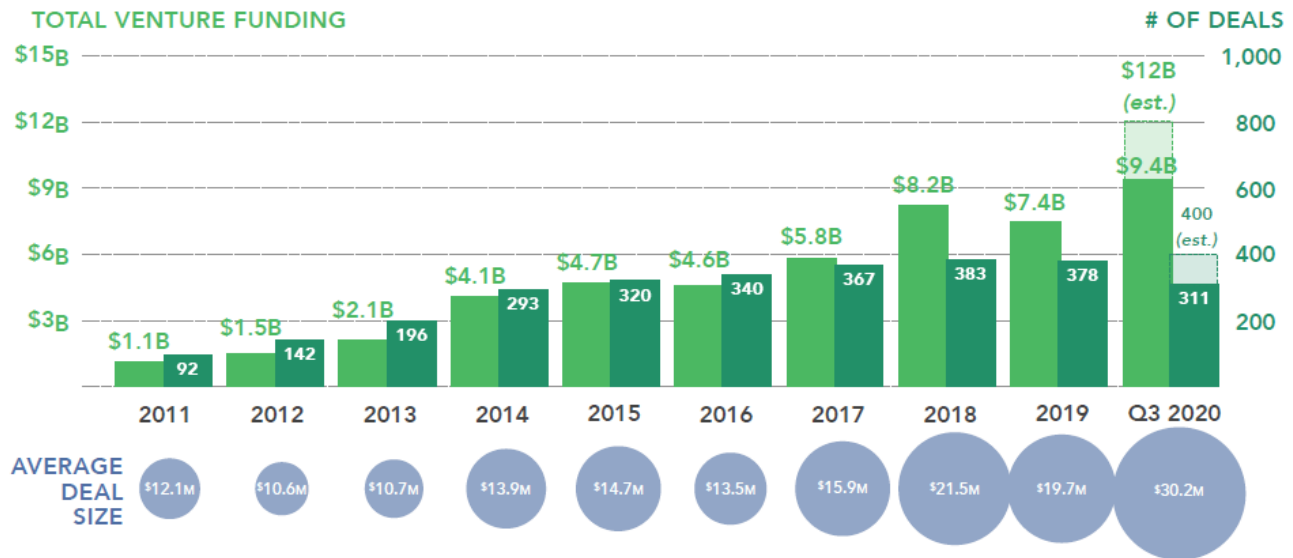


Source: Intro-act, Rock Health

- The uptick in patient adoption of digital health tools is also reflected in the growing investor interest in this segment.** Data compiled by Rock Health shows that US-based digital health startups have received \$9.4 billion in funding through the end of 3Q20 and were on track to end the year with a total of \$12 billion across ~400 deals, the best year on record. At least \$2.4 billion was invested in each quarter during 2020, consistently above the quarterly average of \$2.1 billion across 2018-2019. Further, the rise in number deal has been accompanied by expansion in average deal size, too with large deals driving the top-line numbers. The average deal size in 2020 stood at \$30.2 million, ~1.5x the 2019 average of \$19.7 million. Investor focus on digital health was high across most segments, led by the rise in investments in the institutional segment and across

all sub-segments of the corporate venture capital (CVC) segment, i.e., providers, technology companies, biopharma companies, and payers.

Chart 13: U.S. Digital Health Funding and Deal Size (2011-3Q20)



Source: Intro-act, Rock Health. Only includes U.S. deals >\$2M; data through September 30, 2020.

- The omnipresent use of wearables and biometrics favors OWLT and its connected nursery ecosystem.** Over the last few years, there has been an increasing trend where individuals are looking to use technology to manage their own health. Wearables including fitness trackers, heart rate monitors, and sleep trackers have grown tremendously in popularity. These devices provide patients with the ability to take their own medical-grade vitals at home on any number of devices and simply upload the biometric data to an app where it can be tracked by the consumer. Further, wearable technologies have advanced tremendously, and there are devices that can monitor vitals 24 hours a day and minute by minute, helping a patient to avoid the stress of unnecessary medical visits. This includes devices that can measure oxygen levels, weight, blood pressure, glucose and more and give the patient the ability to video conference their doctors at the push of a button. There are even ailment specific wearables such as smartwatches that can monitor seizures and send instant alerts to caregivers. These devices are also becoming more affordable, many of them available via cost-effective monthly subscription plans. According to IDC, global shipments of wearable devices reached 153.5 million in the fourth quarter of 2020 (4Q20), a year-over-year increase of 27.2% while shipments for the full year grew 28.4% to 444.7 million units, as consumers and healthcare professionals move from a reactive to a proactive approach. This trend is expected to accelerate in the coming years as the global wearable technology market – which was worth \$32 billion in 2019 – is estimated to grow at ~16% CAGR through 2027, according to Grand View Research.
- Wearables like pulse oximeters that offer oxygen-saturation (SpO2) monitors and measure oxygen levels – a key focus of OWLT’s products for babies – are growing in popularity.** First generation wearables and trackers focused mainly on step count and basic features. However, latest wearables offer advanced health features such as heart-rate monitors, oxygen-saturation (SpO2) monitors, calorie counters, and sleep monitoring to ensure that the users keep track of their health at all times. SpO2 is among the leading features of the 2020 Apple Watch and smartwatches offered by Fitbit. The adoption of these features has been driven higher by COVID-19 – the rising awareness regarding applications of pulse oximeters in COVID-19 management and the increasing prevalence of target diseases is expected to drive the growth of the market. Further, around 43 states in the U.S. have made pulse oximetry mandatory for newborn screening. It is also gaining

popularity in other countries due to applications in the detection of Congenital Heart Defects (CHD) and other heart and respiratory conditions. As a result, 92 million people are expected to have pulse oximetry on their wrist by 2022 and the global pulse oximeter market – which was valued at \$2.3 billion in 2020 – is expected to expand at a CAGR of 6.4% through 2028, according to a report published by Grand View Research. **Given the strong focus on OWLT’s products and connected nursery on respiratory wellbeing of children, the company is very well placed to emerge as a beneficiary of this trend.**

- Growing telehealth adoption – boosted by COVID-19 – also suggests that OWLT’s target market is on the verge of an inflection in growth.** Telehealth adoption has been boosted by the pandemic – a McKinsey survey found that consumer adoption of telehealth skyrocketed from 11% in 2019 to 46% in 2020 as patients replaced hospital visits with online consultations. Providers have responded to this shift by scaling their offerings and are now seeing 50-175x the number of patients via telehealth than they did before. The bigger shift is that while earlier telehealth was largely used in “virtual urgent care” situations, it is now being used across the board – this **extension of telehealth beyond virtual urgent care can virtualize up to \$250 billion of U.S. healthcare spend**, according to the McKinsey report. Although some companies such as AmWell, Livongo, and TelaDoc are addressing this need, the market is still in its infancy with substantial growth ahead.

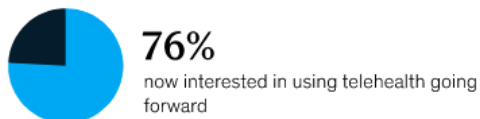
Chart 14: COVID-19 Has Changed the Outlook for Telehealth

1 Consumer

Shift from:



To:



While the surge in telehealth has been driven by the immediate goal to avoid exposure to COVID-19, with more than 70 percent of in-person visits cancelled,¹ 76 percent of survey respondents indicated they were highly or moderately likely to use telehealth going forward,² and 74 percent of telehealth users reported high satisfaction.³

2 Provider

Health systems, independent practices, behavioral health providers, and others rapidly scaled telehealth offerings to fill the gap between need and cancelled in-person care, and are reporting



In addition, **57%** of providers view telehealth more favorably than they did before COVID-19 and

50–175x

the number of telehealth visits pre-COVID.

64% are more comfortable using it

Source: Intro-act, McKinsey

- Consumerization of healthcare and AI-driven clinical decision support as part of telehealth will benefit OWLT that is already working on a next generation telehealth solution that connects children, parents, and physicians.** We expect telehealth use to remain strong even in the post-COVID world because it enables increased and more flexible access to healthcare services. However, as the market matures, **the focus will shift from virtual appointments to digital patient experience and provider satisfaction, i.e., consumerization of healthcare** where providers will have to focus on solutions that include, among others, monitoring and data capturing, communications with care teams, scheduling appointments, obtaining needed tests and medications, and other areas, including health system outreach to at-risk and other specific patient populations. This trend is already visible in the smartwatch market where most products propel the consumerization of healthcare by adding clinical screenings like Atrial Fibrillation (AFIB) detection. Further, the need for information to drive diagnosis, treatment, and other clinical protocols will ensure that the use of artificial intelligence (AI) in clinical decision-making support will expand substantially, and will accelerate the shift from reactive to proactive healthcare.

- OWLT’s future healthcare opportunities include a strong focus on using the medical version of its Smart Sock as a critical telehealth tool for pediatrics that will have a new screening functionality and will focus on owning the customer relationship, suggesting that the company has already taken steps to emerge as a winner in the fast-growing telehealth market. We will discuss this product in detail in a later section.

Chart 15: Telehealth Use Cases – OWLT is Well Positioned

Provider-to-Provider Platforms				
Use Case	Description	Timing	Video	Information transferred
1 eConsult	Templated communications, where primary care provider eConsults with specialist to share information and discuss patient care.	Asynchronous	No	Medical records and images
2 Virtual video consult	Distant specialist connects in real time to a provider/clinical setting to deliver a clinical service directly supporting the care of a patient (e.g., telestroke).	Synchronous	Yes	Medical records and images
3 eICU/TeleAcute	Remote covering clinicians use multiple modalities (video, monitor data) to follow a defined set of seriously ill patients.	Synchronous	Yes	Medical records, images and monitoring data
Direct-to-Consumer Platforms				
4 Second opinion	Patient-initiated electronic request for provider to give an opinion on a clinical case.	Asynchronous	No	Medical records and images
5 Remote-patient monitoring	Providers remotely monitor patients via connected/mHealth devices or PRDs.	Synchronous	No	Monitoring data and patient-reported data
6 Video visit	Provider connects directly with patient via video to conduct equivalent of a visit.	Synchronous	Yes	None
7 eVisit	Provider connects with patient via email or secure messaging to provide clinical advice or support.	Asynchronous	No	Patient-reported data and images

Source: Intro-act, American Hospital Association (AHA), Mannat, 2019

Chart 16: Objectives Achieved by Telehealth – OWLT’s Connected Nursery Delivers Value to its Customers

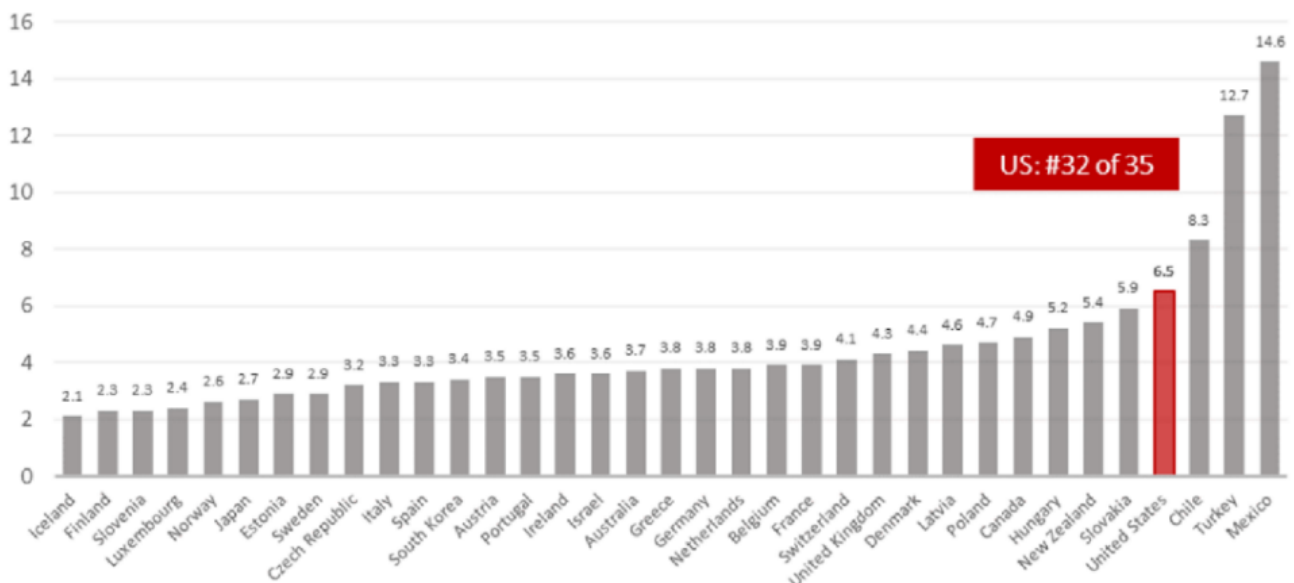
	Provider-to-Provider			Direct-to-Consumer			
	eConsult	Virtual consult	eICU	Second opinion	Remote monitor	Video visits	eVisits
Increase specialist access availability and capacity.	✓					✓	✓
Manage capacity and ambulatory space-use efficiency.	✓	✓				✓	✓
Improve patient/family experience and support consumerism strategies.				✓	✓	✓	✓
Strengthen referrals and transitions of care between referring providers and long-term/post-acute care providers.	✓	✓					
Improve central monitoring for early detection of decline, improved quality in ICU and other acute settings.			✓				
Continue regional growth, extend brand and promote system-ness.	✓	✓					
Enhance clinical relationships with partners and within specialty networks.	✓	✓	✓				
Prepare for implementation/expansion of value-based payment models.	✓				✓	✓	✓

Source: Intro-act, American Hospital Association (AHA), Mannat, 2019

OWLT Aims to Fill Unmet Health and Business Needs of Baby Tech Market

- We believe that the baby tech market has unmet health and business needs that OWLT is very well placed to fulfill.** On the health side, parent focus on children safety, sickness, and their own sleep is a key driver of growth for OWLT’s products, along with the high healthcare costs associated with the first years of life and the resulting need to move from reactive to proactive healthcare. On the business side, the baby tech market is highly fragmented and is fraught with disconnected user experience, creating the need for a unified platform and ecosystem like the connected nursery offered by OWLT. We discuss these unmet needs in detail below.
- High prevalence of SUID and SIDS has made child safety and monitoring a key priority for parents, creating a market for products like OWLT’s Smart Sock.** The sudden death of an infant is one of the most devastating events that can happen to parents. However, only a minority of sudden unexpected death in infancy cases have a complete medical explanation. Most remain unexplained and are often labelled as sudden unexpected infant death (SUID). According to the SUDC Foundation, SUID includes deaths that are later explained, such as accidental suffocation or strangulation in bed (ASSB), as well as deaths that remain unexplained after a thorough investigation, review of clinical history, and autopsy, which are known as sudden infant death syndrome (SIDS). In fact, SIDS is the leading cause of death of infants one month to one year old in the U.S. **According to CDC/NHCS, the U.S. ranks 32nd of 35 developed countries in infant mortality where SUID accounts for more than 3,600 infant deaths annually.** The infant mortality rate in the U.S. was 6.15 infant deaths per 1,000 live births in the U.S. There was a total of 3,610 or 0.9 SUID per 1,000 live births during the year, accounting for 15% of all infant deaths. 2,063 of these deaths were attributed to SIDS, 918 attributed to an unknown cause, and 629 attributed to accidental suffocation and strangulation in bed. Some of the risk factors causing SIDS include placing an infant to sleep on its stomach, cigarette smoke exposure, bedsharing, and soft bedding or toys in the sleeping environment. However, the exact cause of SIDS remains unknown. As a result, parents are restoring to the use of baby monitors – like OWLT’s Smart Sock that is the first baby monitor to track baby’s oxygen level and heart rate—the best indication of baby’s health—while they sleep. It uses proprietary and innovative pulse-oximetry technology to track a baby’s heart rate, oxygen levels, and sleep patterns to provide parents with invaluable peace of mind.

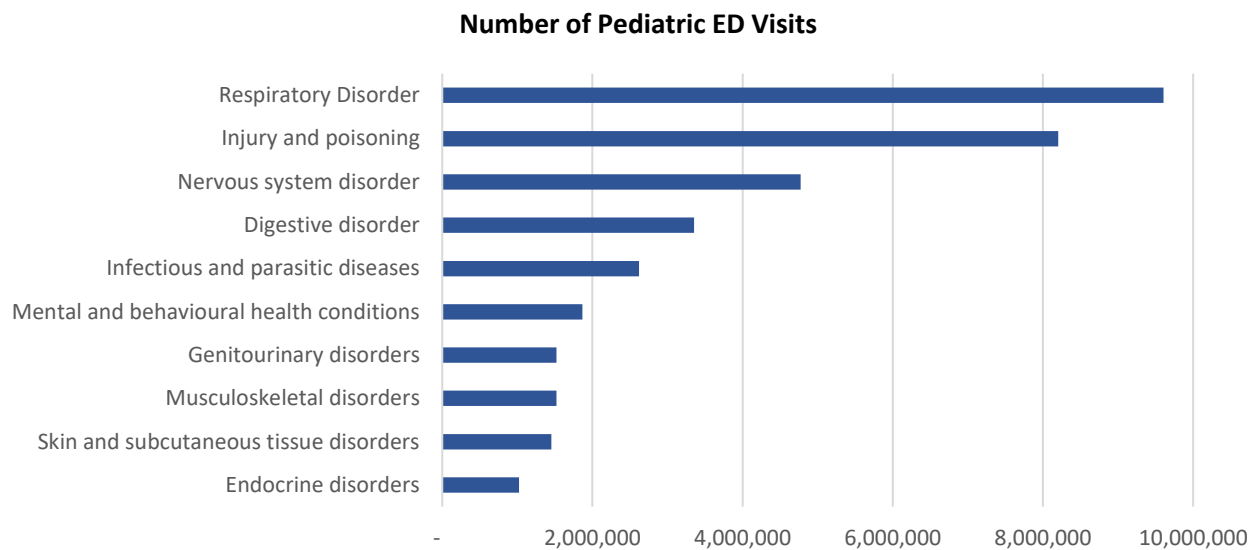
Chart 17: Infant Mortality by Country



Source: Intro-act, CDC/NHCS, SUDC Foundation

- OWLT’s Smart Sock that tracks baby’s oxygen level is also a useful tool to identify respiratory issues faced by children – the leading reason for pediatric ED visits.** In 2015, 17% of all children in the U.S. sought emergency care at least once. Although reasons for pediatric emergency department (ED) visits vary by age, conditions such as wounds, sprains and strains, viral, and respiratory infections are common. **Respiratory diseases are a major health problem for children in the U.S. and account for about 25% of all pediatric consultations.** The two youngest pediatric age groups—infants younger than 1 year old and children aged 1–4 years—constituted a disproportionately high share of pediatric ED visits in 2015. Whereas these age groups accounted for 5.1% and 20.4% of the U.S. population, respectively, their treat-and-release ED visits comprised 11.0% and 29.5% of all pediatric treat-and-release visits. Infant ED visits accounted for an even greater share (21.3%) of admitted pediatric ED visits. In 2015, 9.6 million pediatric ED visits involved respiratory disorders and 8.2 million involved injury or poisoning.

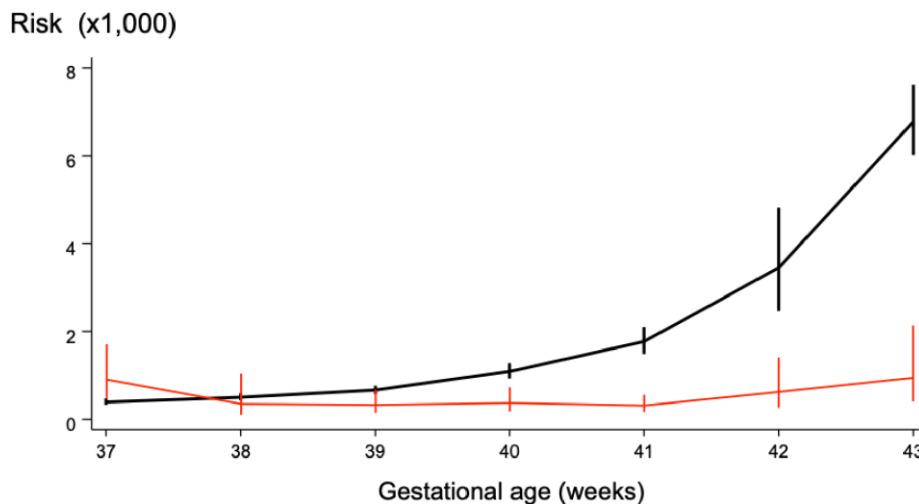
Chart 18: Respiratory Disorder is Among Leading Cause for Pediatric Emergency Departments (ED) Visits



Source: Intro-act, NCBI. Data for FY2015.

- OWLT’s Pregnancy Band – created for pregnant women between 24-40 weeks – aims to address issues like stillbirth, pregnancy disorders, and birth-related complications.** Stillbirth is when a baby dies in the womb after 20 weeks of pregnancy. Most stillbirths happen before a pregnant person goes into labor, but a small number happen during labor and birth. Stillbirth affects about 1 in 160 births, and each year about 24,000 babies are stillborn in the U.S. That is about the same number of babies that die during the first year of life and it is more than 10x as many deaths as the number that occur from SIDS. Half of all stillbirths result from pregnancy disorders and conditions affecting the placenta, according to National Institutes of Health. According to NIH researchers, some characteristics associated with an increase in risk for stillbirth include a previous stillbirth, being a first-time mother, a history of miscarriage in earlier pregnancies, gestational diabetes, AB blood type, drug addiction, smoking three months before getting pregnant, and maternal overweight and obesity. The researchers determined that pregnancy or birth-related complications contributed to the largest proportion of stillbirths (29%). Such complications can include preterm labor or premature rupture of membranes that hold the amniotic fluid. Another such complication is abruption of the placenta — in which the placenta separates from the wall of the uterus.
 - OWLT is working on a wearable monitor (Pregnancy Band) for pregnant women that is designed to track the baby’s heartbeat and give peace of mind to the mother. The band is being developed for use between 24 and 40 weeks of pregnancy and is being designed as comfortable for overnight use.**

Chart 19: Risk of Stillbirth Increases in the Second Half of Pregnancy



Source: Intro-act, PLOS Medicine

- Poor sleep quality and insufficient sleep are highly prevalent during pregnancy and after childbirth, and OWLT is trying to address this issue through its Dream Lab solution.** According to new research into the sleeping habits of people, parents get just 5.1 hours of sleep per night in the first year of their child's life. This suggests that the average new parent loses 2.9 hours of sleep per night below the eight hours recommended minimum. This equates to a sleep loss of 20.3 hours per week, making up 1,055.6 hours or ~44 lost days in the first year of a child's life. Further, newborns tend to sleep in fits and starts for 16 to 20 hours over a 24-hour period, making it difficult for a parent to get more than a couple hours of rest at a time. According to Dr. William C. Dement, a physician and sleep specialist, parents of newborns often lose about two hours of sleep per night until the baby is 5 months old. From then until their child hits 2 years old, parents usually lose an hour of sleep each night.
 - OWLT's Dream Lab offers safe, easy, and proven ways to build healthy sleep habits that support a child's development and allows parents to sleep more and remain more engaged. Designed for babies 4 to 12 months, Dream Lab is a convenient, online, and interactive sleep program designed specifically for babies.**
- Despite the huge unmet medical opportunity, the baby tech market lacks a leader – it is highly fragmented and currently offers disconnected user experience, creating a business opportunity for OWLT that aims to create the connected nursery of tomorrow through its ecosystem of products and technology solutions.** The baby tech market has a number of players (excluding OWLT) across various segments. For example, the baby monitor and sleep tracking segment includes names like Nanit and Snoo – however, products offered by these players do not track oxygen levels and these companies also lack a complete ecosystem of solutions that can act as a one stop shop for parents. Similarly, products like HeraBEAT track baby's heartbeat during pregnancy but do not offer post-delivery solutions like those offered by OWLT. Other baby product makers like Fisher Price and Pampers are low-tech legacy companies that have a strong brand but not compete effectively in the baby tech market. Finally, leading tech players like the FAANGs have not yet targeted the baby industry and do not enjoy any brand value in this segment. Given the fragmented nature of the baby tech market, parents currently need to use dozens of apps and products by different players to monitor the health of the children. This lack of consolidation has created a business need for **OWLT that sees value in a full stack ecosystem spread across various parenting needs and connected by technology, thereby creating a holistic experience, much like Livongo/iRhythm in digital health monitoring, Apple in personal electronics, and Peleton in at-home fitness.** With that goal in mind, OWLT is trying to build a holistic, purpose build ecosystem which will allow it to capture disproportionate share of the massive \$81 billion market that has been unaddressed so far.

Chart 20: Competing Companies Do Not Offer a Holistic Solution Like OWLT...

Category	Big Tech	Category	New Startups
Example	Facebook, Amazon, Google, Apple	Example	RayBaby, Miku, Snoo, Nanit
Barriers to entry	<ul style="list-style-type: none"> • Little brand value in baby industry • Baby is a niche category 	Barriers to entry	<ul style="list-style-type: none"> • Low penetration • Don't track oxygen levels • Not ecosystem focused
Category	Baby		
Example	Fisher Price, Pampers, Graco, VTech	<ul style="list-style-type: none"> ✓ Strong ecosystem anchor w/ Smart Sock ✓ #1 Ranking in the top 3 brand metrics⁽¹⁾ ✓ First mover with a 9 year head start ✓ Smart Sock clinically validated accuracy⁽²⁾ ✓ Full stack technical capabilities 	
Barriers to entry	<ul style="list-style-type: none"> • Little qualified baby tech experience • Legacy brands historically building low tech solutions 		

Source: Intro-act, OWLT

Chart 21: ... Which Is Designing an Expanded Ecosystem or the Connected Nursery of Tomorrow

Smart Sock Plus

- Designed to monitor heart rate and oxygen
- View from app
- Version for children 18 months to 5 years old
- Historical data and insights

Cam

- Camera with built-in two-way microphone and speaker set
- Streams HD 1080p video with night vision to app
- Designed to integrate seamlessly with Smart Sock via app

Soothe

- App controlled
- Light and sound presets
- Time to rise feature for toddlers
- Syncs with Dream Lab schedule
- Automatic on/off with Smart Sock plug/unplug
- Automations built around infant sleep state data from the Smart Sock

Under Development

Dream Lab

- Interactive sleep program
- Help any healthy baby sleep better
- Customized, step-by-step plan
- Auto updates according to progress

Band*

- Wearable monitor for pregnant women
- Designed to track baby's heartbeat and give peace of mind
- Being developed for use between 24 and 40 weeks of pregnancy
- Comfortable for overnight use

Medical

- **Baby Sat** (seeking FDA authorization)
 - Designed to build legitimacy and trust with physicians and regulators
 - Designed to open up the new "sick baby" market for prescription use only
- **OTC Sock** (planning to seek FDA authorization)
 - Increase consumer trust and penetration through potential for FDA marketing authorization
 - May seek authorization for life saving claims
 - May seek authorization for opportunistic screenings for heart and lung conditions

Source: Intro-act, OWLT. *Could Require FDA Authorization

Best-In-Class Solutions + Digital Ecosystem = OWLT’s Technology Moat









- OWLT’s purpose-built, growing suite of connected digital parenting products and services is designed to help parents know more about their children and gain peace of mind in their roles as caregivers.** For example, the Owlet Smart Sock is intended for use by healthy infants of up to 18 months of age, and the Owlet Cam can be used by parents to help monitor children of any age. Owlet Dream Lab is an interactive online platform that assists families in building healthy sleep habits with their babies of up to 12 months in age. In addition, the company is building a number of futuristic products like The Owlet Band, The Owlet Smart Sock Plus, The Owlet BabySat, and The Owlet OTC Smart Sock that will help it strengthen its brand and deepen its relationship with users around the world. More importantly, the integration of OWLT’s product pipeline with its existing ecosystem will help create a more unified digital parenting experience, a key contributor to the company’s technology moat. We discuss the company’s existing solutions, its product pipeline, and its competitive advantages in this section.

Existing Offerings Includes Industry-Leading Parenting Solutions

- The Smart Sock is OWLT’s flagship product and sits at the heart of the connected nursery that the company is developing.** The award-winning Owlet Smart Sock is the first baby monitor to track an infant’s oxygen levels, heart rate, and sleep trends – a key differentiator vs. peer products. The Owlet Smart Sock allows parents to view their baby’s heart rate and oxygen readings in real time from the Owlet application. If the baby’s readings ever fall outside of preset zones, parents are notified through the Owlet application and a nearby base station that the baby may need attention. OWLT launched the first version of its Smart Sock in 2015 and driven by its success, the company has been continuously working to upgrade it. In July 2020, OWLT launched Smart Sock 3 – a third generation award-winning baby monitor intended for monitoring and tracking infant oxygen levels (SpO2) and heart rate (HR) while the infant is sleeping.

Chart 22: The Third Generation Owlet Smart Sock and Its Key Features



	Tracks Baby's oxygen & heart rate		Instant wellness notifications
	Measures sleep trends		Fits babies 0 to 18 months
	Wireless charging & 16-hour battery life		HSA/FSA Approved
	Free Shipping		30-Night Peace of Mind Guarantee

#1 Monitor⁽¹⁾

96% Report reduced anxiety⁽²⁾

850k+ Babies Monitored⁽³⁾

Source: Intro-act, OWLT. (1) NPD Group, (2) Sage Journals, (3) OWLT Estimates.

- The redesigned Smart Sock 3** fits smaller newborns and larger babies, from 5lbs to 30lbs, allowing parents to track tiny babies as soon as they come home from the hospital. Product enhancements also include new machine learning algorithms that track SpO2 and HR even when the baby is asleep in an environment with gentle movement. The new Smart Sock 3 continues to track the baby's heart rate and oxygen through gentle motion,

with an improved tracking frequency of 97% during an 8-hour session. The product includes significant hardware enhancements to the sensor making it OWLT’s most accurate monitor yet. Additionally, a smaller base station provides faster, more convenient wireless drop-and-go charging and upgraded wireless antennas to offer a wider Bluetooth range. Enhanced wireless charging now delivers a fully charged Smart Sock in just 90 minutes, with a battery life of 16 hours. The Smart Sock 3 also allows parents to snooze Base Station notifications for more customized monitoring. Moreover, the materials used in the product are durable, hypoallergenic, and tested for infant use.

- **Since its introduction many years ago, 96% of parents using the Smart Sock say that they have felt less anxious, and 94% of parents have reported better sleep quality while using the Sock on their baby.** This is line with OLWT’s goal of creating products that allow parents and caregivers to feel empowered with the information they need to bring peace of mind about their baby’s wellbeing.
- **The Owlet Smart Sock Generation 3 (OSS3) has undergone multiple studies that prove its accuracy and reliability.** Two independent studies were done by external third-party labs to validate the OSS3 SpO2 and HR readings. To verify SpO2 measurements with the OSS3, The Hypoxia Research Lab at the University of California, San Francisco completed an IRB approved study, by comparing the clinical validation percentage of oxyhemoglobin in arterial blood, or oxygen saturation (SaO2), to OSS3 SpO2 levels. To confirm OSS3 HR estimates, the company Physio Monitor completed a study reporting the accuracy of the HR readings from the OSS3 to the Fluke Prosim 8 Vital Signs Simulator.
- **The object of the first study was to communicate on the accuracy for the SpO2 readings (oxygen reading) of the OSS3 Sensor compared to arterial blood sampling using an ABL-90 multi-wavelength oximeter.** For the study, 14 participants were given medical grade mixtures of oxygen and nitrogen to induce stable oxygen saturation measurements across a range of 100% to 70%. SaO2 hemoximeter measurements were simultaneously compared with SpO2 from the OSS3. For a pulse oximeter to pass industrial standards, the Accuracy Root Mean Square (ARMS) must be less than 3.0%. An ARMS of 2.1% was reported for the OSS3, which is well below the required 3% standard. For SaO2 levels greater than 70%, the average differences between OSS3 and the hemoximeter measurements were less than 2% which are unlikely to pose a clinical concern.

Chart 23: Owlet Smart Sock 3 Bias – Comparison Between OSS3 and a Hemoximeter

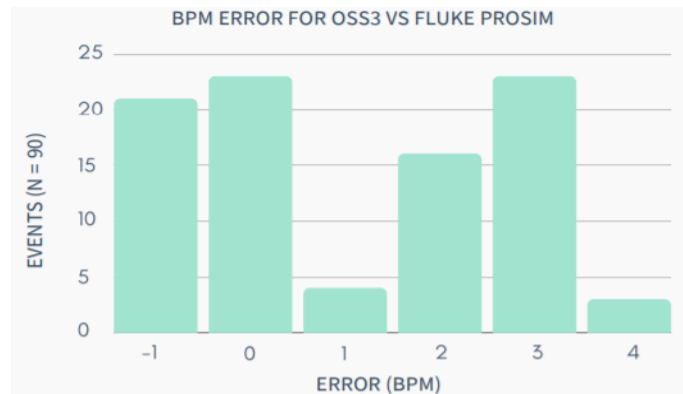
Hemoximeter Range	60-70%	70-80%	80-90%	90-100%	70-100%
Mean	4.47	1.69	0.22	-1.36	-0.30
Count	6	38	69	104	211
Missing Data	19	65	42	8	115
Standard Deviation	3.19	2.24	1.61	1.61	2.09
Standard Error	1.30	0.36	0.19	0.16	0.14
95% Confidence Interval	3.35	0.74	0.39	0.31	0.28
Limits of Agreement	N/A	-2.79 to 6.16	-3.00 to 3.43	-4.57 to 1.85	-4.41 to 3.82
Maximum	7.50	7.71	5.03	2.40	7.71
Minimum	0.03	-1.73	-2.88	-6.82	-6.82
Root mean square (ARMS)	5.33	2.78	1.61	2.10	2.10

Source: Intro-act, OWLT. SaO2 measurements were between 60 and 100%. The Accuracy Root Mean Square (ARMS) was 2.1%, passing industry standards for pulse oximeters.

- **Another test was conducted to study the accuracy report for the OSS3 HR (heart rate) readings.** The OSS3 was validated by the Fluke Prosim 8 Vital Signs Simulator, a device that imitates various physiological parameters of a patient, including ECG (HR), respiration, invasive blood pressure, noninvasive blood pressure, temperature, and cardiac output. The test was

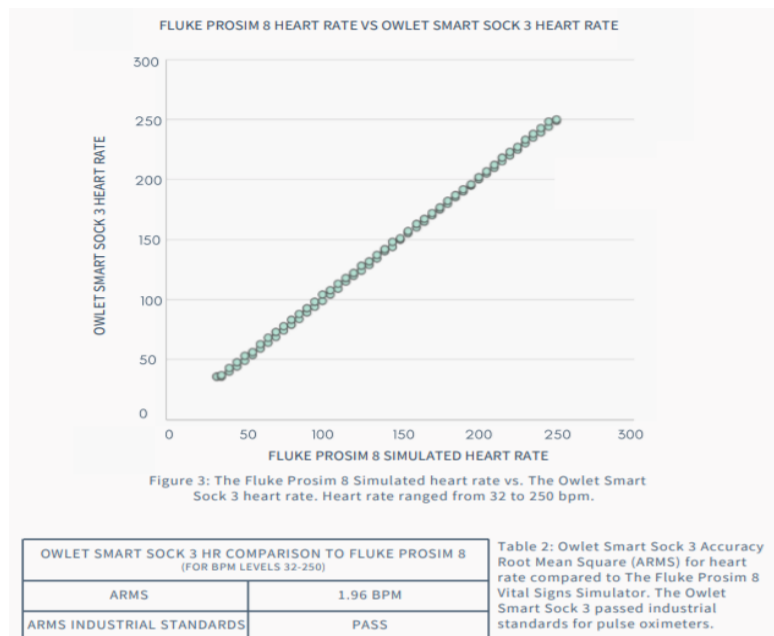
performed using an optical sensor to compare the OSS3 light output and the Simulator. To resemble real HR as well as possible, a variety of pulse amplitudes were used by the Fluke Prosim 8. Additionally, the HR setting of the Simulator was increased from 30 beats per minute (bpm) to 250 bpm at intervals of 5 bpm then similarly decreased over the same range. At each setting, the OSS3 was allowed 30 seconds to stabilize. In the chart below, the frequency of the bpm error between the OSS3 and the Fluke Prosim simulator is represented. The OSS3 was always within -1 to +4 bpm of the Fluke Prosim simulator. For each 5-bpm increment, the OSS3 reported its detected HR. The reported ARMS was 1.96 bpm, providing evidence that the OSS3 HR accuracy passes an ARMS specification of 3.0 bpm over the pulse rate range of 32-250 bpm when compared to Fluke Prosim 8 Vital Signs Simulator.

Chart 24: BPM Error for OSS3 vs. Fluke Prosim 8



Source: Intro-act, OWLT

Chart 25: Fluke Prosim 8 Heart Rate vs OSS3 Heart Rate

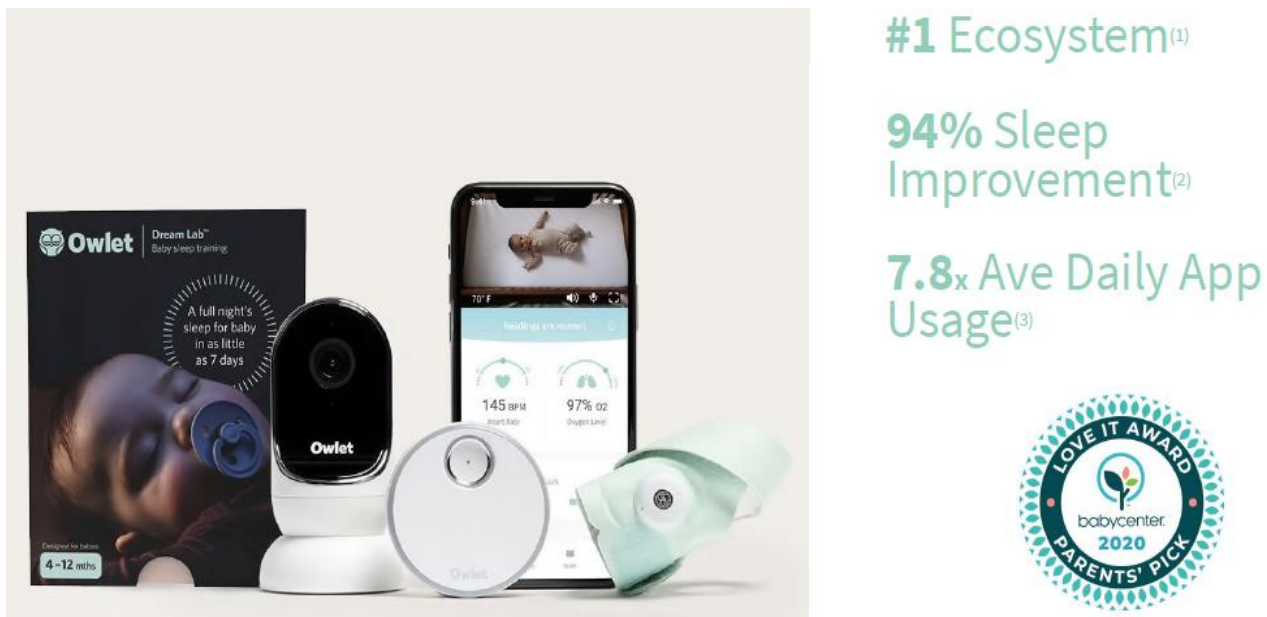


Source: Intro-act, OWLT

- In conclusion, both these showed that the OSS3 Sensor is accurate and corresponds to industry standards on pulse oximetry (SpO2: ARMS = 2.1% and HR: ARMS = 1.96 bpm).** This suggests that medical professionals and consumers can trust the SpO2 and HR outputs from the OSS3 and is a driver of the growing popularity and sales of the OSS3.

- Thanks to its best-in-class features and high accuracy and reliability, the Owlet Smart Sock has helped lower parent anxiety and improve parent sleep.** In a study involving more than 47,000 participants, OWLT found that 96% of parents using the OSS felt less anxious and 94% reported better sleep quality while using the OSS.
 - A parental desire to know more about their child as well as a feeling of peace of mind accounted for 75% of the reasons to own the OSS.** According to the survey results, parents felt significantly less anxious and reported better quality of sleep. Safe Sleep Guidelines were followed by 82% of parents. Per the survey, parent-reported history of SIDS (with the previous pregnancy or in the family) accounted for 8% of reasons for owning the OSS, and 15% of parents used the OSS on their infants discharged from the neonatal intensive care unit (NICU).
- The second key product part of Owlet’s digital ecosystem is the Owlet Cam, a smart HD video baby monitor that provides parents a smart and safe way to keep an eye on the baby and the sleep environment.** The Owlet Cam turns any smartphone into a baby monitor, allowing parents to hear and see everything that is most important to them from anywhere in high-definition clarity. The Owlet Cam includes a wide-angle view, sound and motion notifications, and background audio. It streams secure, encrypted video to parents’ own private accounts on the Owlet application.
 - The Owlet Cam comes with multiple features that makes parenting a lot easier.** The cam has a background audio feature that allows one to close the app and still hear what is going on the baby’s room. The Status light on the Cam tells when the device is connected and when a user is accessing the Cam. Multiple users can also access the live feed through their smartphones. The Owlet Cam can zoom and lets users zoom in 4x on any area of the screen to get an up-close look at baby and their sleep environment. The Smart Cable on the Cam has a built-in temperature sensor that displays the temperature in Fahrenheit on the home screen of the Owlet app. It also comes with power cord cable guards that snap over the monitor cords to keep them tethered to the wall. This makes Owlet Cam the safest baby camera on the market because the cords are completely covered end to end.

Chart 26: The Owlet Cam Combines with the Smart Sock to Create the Monitor Duo



Source: Intro-act, (1) NPD Group, (2) Sage Journals, (3) OWLT Estimates.

- Monitor Duo is another key solution offered by OWLT, one that combines the Owlet Smart Sock and the Owlet Cam into a powerful parenting tool.** The Owlet Monitor Duo offers the intelligence of OWLT’s Smart Sock paired with the Owlet Cam. It is the first smart baby monitor that combines the ability to track a baby’s heart rate, oxygen levels, and sleep trends with

high-definition video, offering parents the most complete picture of their baby’s sleep and well-being. We believe that the Monitor Duo represents the value and potential that OWLT’s connected ecosystem can offer due to the combination of inter-related products that the company already has in its suite and ones that it plans to launch in the future.

- Dream Lab is OWLT’s solution aimed at helping parents build healthy sleep habits for their babies, and thus improve their own sleep quality.** Dream Lab offers safe, easy, and proven ways to build healthy sleep habits that support a child’s development and help improve parent’s engagement and happiness levels. Designed for babies 4 to 12 months, Dream Lab is a convenient, online, and interactive sleep program designed specifically for babies that includes step-by-step sleep plans, video tutorials, and access to live support from leading sleep experts that allows parents to experience better sleep for themselves and their baby in as few as 7 days. This OWLT solution is aimed at addressing the problem of insufficient sleep faced by most parents and improving their sleep quality.
- The combination of these best-in-class products and the OWLT ecosystem has made Owlet the most compelling parenting brand, a key differentiator in the fragmented baby tech market.** OWLT’s products enjoy high net promoter scores (NPS) vs. other brands and products. The Owlet Smart Sock’s NPS of 76 is way ahead of the NPS of 45 for other consumer brands/electronics. The Monitor Duo and Dream Lab, with NPS’ of 68 and 50, respectively, are also ahead of competing products and brands (see chart below). In addition, OWLT’s products have received multiple awards, including the Consumer Electronics Show award for Best Wearable for the Owlet Band in 2019 and being an honoree in the Consumer Electronics Show in the Software & Mobile Apps category for the Owlet Dream Lab in 2020. Overall, OWLT has won 15 design and innovation awards in CES and 21 Baby Industry Awards, which further illustrates the strength of the Owlet brand.

Chart 27: OWLT Is the Most Compelling Brand in Parenting



Source: Intro-act, OWLT

Robust Product Pipeline Aimed Creating A Comprehensive Digital Parenting Ecosystem

- In addition to its existing offerings, OWLT is working on a pipeline of products and software services that are in development will provide the company an opportunity to increase its total addressable market and customer lifetime value. The company is designing these pipeline offerings to complement its existing suite of solutions and create a more connected and comprehensive digital parenting ecosystem. We discuss the company’s product pipeline below:
- OWLT’s leading product under development is the Owlet Band – created for pregnant women between 24-40 weeks.** Driven by the growing instances of stillbirth, pregnancy disorders, and birth-related complications in recent years (discussed earlier), there has been a push to gather more information through continuous fetal heart rate (FHR) monitoring. OWLT has created a continuous pregnancy monitor, Owlet Band, that uses electrocardiograph (ECG) technology to detect the FHR. The Owlet Band is intended to use safe and passive electrocardiogram sensors to allow expectant mothers to safely track their own sleep patterns and heart rate, in addition to tracking their baby’s heartbeat. The product has multiple sensors to detect heart rate signals. The sensors send the information to the medallion to be processed through a machine learning algorithm. Next, the data is sent to the user’s phone via an application. The Owlet Pregnancy Monitor is intended for mothers who are at least 24 weeks pregnant and its key features include: 1) Fetal heart rate tracking, 2) Fetal heartbeat recording, 3) Wellness notifications, 4) Automated kick counting, 5) Contraction tracking, and 6) Maternal sleep position indicators. The band's monitoring technology is enabled by DuPont Intexar, a smart clothing technology that integrates seamlessly into fabric. The Intexar sensors are extremely thin and are bonded to a stretchable knit fabric band, providing a form-fitting and comfortable feel.
- Sentiment amongst over 300 pregnant women tested internally has been extremely positive, with respondents noting the number one benefit of the Owlet Band being the assurance that their baby is okay.** In addition, respondents stated feeling even more peace of mind being able to hear their baby's heartbeat and view live readings via the app. Further, thanks to its best-in-class feature, the Owlet Band is a winner of CES awards in the categories of Wearable Technology and Tech to Change the World. The Owlet Band may require marketing authorization from the FDA prior to commercialization.

Chart 28: The Owlet Band



Owlet Band

Winner ‘Tech to Change the World’™

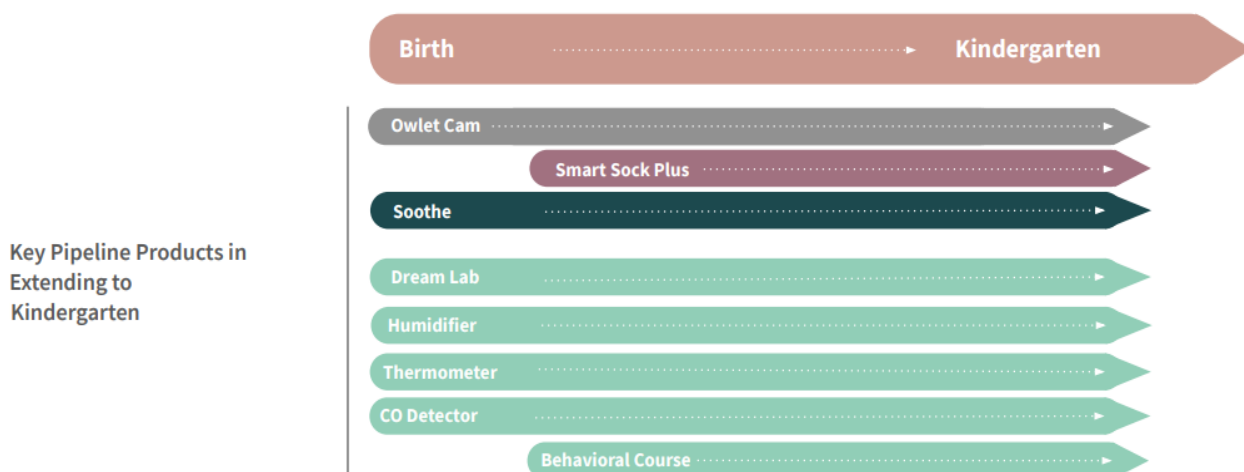
Potentially First in Category



Source: Intro-act, OWLT

- **OWLT is also working on variants of its award-winning Smart Sock to enhance its product suite and grow its customer lifetime value.**
 - **Smart Sock Plus:** The Owlet Smart Sock Plus utilizes the same technology as the Owlet Smart Sock and is designed to grow with children, from newborn to five years. Through an expanded fabric sock set, the Owlet Smart Sock Plus would allow families to track oxygen levels, heart rates, and sleep trends for an age range that is three times larger than that of the existing Owlet Smart Sock.
 - **BabySat** – Based on the Owlet Smart Sock, the Owlet BabySat is under development as a medical device that would, if authorized by the FDA, be sold for prescription use only. The Owlet BabySat is designed to utilize various telehealth platforms and is intended specifically for babies with diagnosed illnesses and health conditions. OWLT has submitted a premarket notification to the FDA seeking 510(k) clearance of the Owlet BabySat. In January 2021, the FDA informed OWLT that additional data would be needed to support 510(k) clearance for the product. The company plans to engage with the FDA to obtain feedback on a proposed study design to generate such data to support a resubmission of its application for 510(k) clearance.
 - **Over-the-Counter “OTC” Smart Sock** – The Owlet OTC Smart Sock is under development as a medical device that would be sold over-the-counter at retailers without a prescription. The Owlet OTC Smart Sock is designed to integrate with various telehealth platforms and preemptively screen for health conditions in babies with no existing medical or health issues. The Owlet OTC Smart Sock will likely require marketing authorization from the FDA prior to commercialization.
- **In addition to the above, the company plans to develop complementary products that will strengthen the customer relationship in toddlerhood and increase reliance of parents on OWLT’s connected ecosystem.** OWLT plans to complement its monitoring pipeline with its connected ecosystem pipeline to create a more unified digital parenting experience by developing adjacent products. While it does not yet have prototypes for such products, it plans to develop the Owlet Soothe, a white noise machine designed to create a more relaxing bedroom environment; the Owlet Smart Bed, which would connect with the Owlet Smart Sock to understand a baby’s sleep cycles and would utilize automated motion technology to lull babies back to sleep when they wake up; and the Owlet Humidifier, which would integrate with the Owlet OTC Smart Sock to automatically turn on when respiratory sickness symptoms are detected or when the room falls below a certain humidity threshold.

Chart 29: OWLT’s Product Pipeline Is Aimed at Strengthening Customer Relationship from Conception to Kindergarten

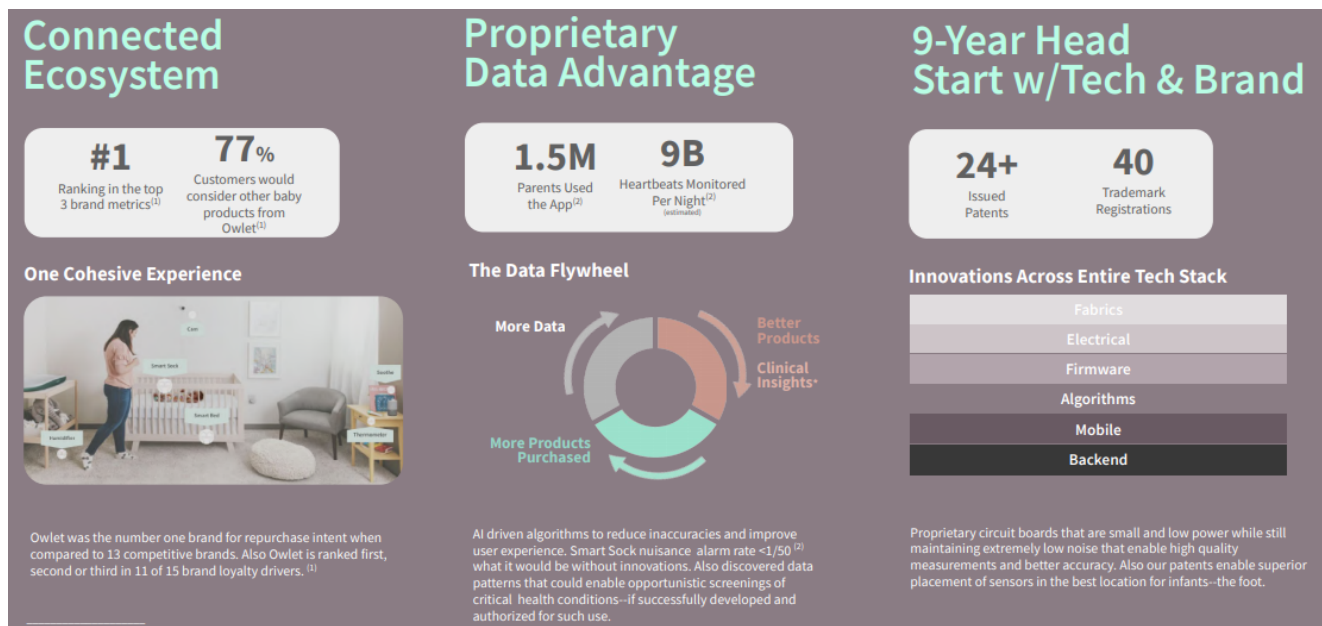


Source: Intro-act, OWLT

Product Ecosystem and Early Mover Advantage Create a Durable Moat

- We believe OWLT stands out in the baby-tech market due to the following: 1) its connected ecosystem platform, 2) proprietary data advantage, 3) early mover advantage on both tech and brand, 4) complementary technologies, 5) design features optimized for in-home digital health, 6) robust multi-channel distribution strategy, and 7) a best-in-class management team.** We believe the combination of these differentiators creates a wide and durable moat that will allow OWLT to garner share in the \$81 billion market it is targeting. We discuss these differentiators in detail below.

Chart 30: Key Drivers of OWLT’s Technology Moat



Source: Intro-act, OWLT

- OWLT’s connected ecosystem platform – with the Smart Sock as the anchor product – stands out in a fragmented market that lacks a holistic solution and is the first key driver of the company’s moat.** As discussed earlier, the baby tech market is highly fragmented and currently offers a disconnected user experience. OWLT’s connected ecosystem of digital parenting products and services, on the other hand, is designed to create a cohesive user experience. Because the company offers a suite of complementary solutions, customers often choose to purchase multiple offerings, beginning with the Owlet Smart Sock as an anchor and adding the Owlet Cam or Owlet Dream Lab. As the company continues to introduce new products and services to fully support parents and children through additional stages of development, we believe users will continue to adopt and purchase these new products.
- The value-creation potential of OWLT’s ecosystem-driven business model can be gauged from our research which shows that the largest companies in the world (by market cap) have this approach at the core of their business.** The ecosystem approach involves expanding the core business, growing the network and portfolio, and producing revenues from inter-related products and services. According to McKinsey & Company, the integrated network economy represents a global revenue opportunity of \$60 trillion by 2025, with a potential increase in total economic share from around 1%-to-2% to about 30%. Most of the companies with the highest market capitalizations in the world are technology companies that generate much of their revenue from the digital ecosystems they have created (like OWLT) and many of these ecosystems are B2C plays (also like OWLT) – see chart below. Others, such as Jabil’s, represent the B2B space. Some companies tackle both: Amazon, for example, ties together e-commerce, media and entertainment, cloud computing, logistics, and consumer electronics, while China’s Tencent provides services including social media, gaming, finance, and cloud computing. Other

leading companies are also increasingly offering an interconnected set of services. For example, Alibaba has started offering a broad ecosystem of lifestyle services (including retail, payments, credit scoring), Apple launched AppleCard with Goldman Sachs (expanding on ApplePay), and BMW/Daimler is creating a shared mobility ecosystem with several startups (Car2Go, moovel, Mytaxi) under the Your Now brand.

Chart 31: Six of the World’s Top Seven Companies Are Ecosystem Companies



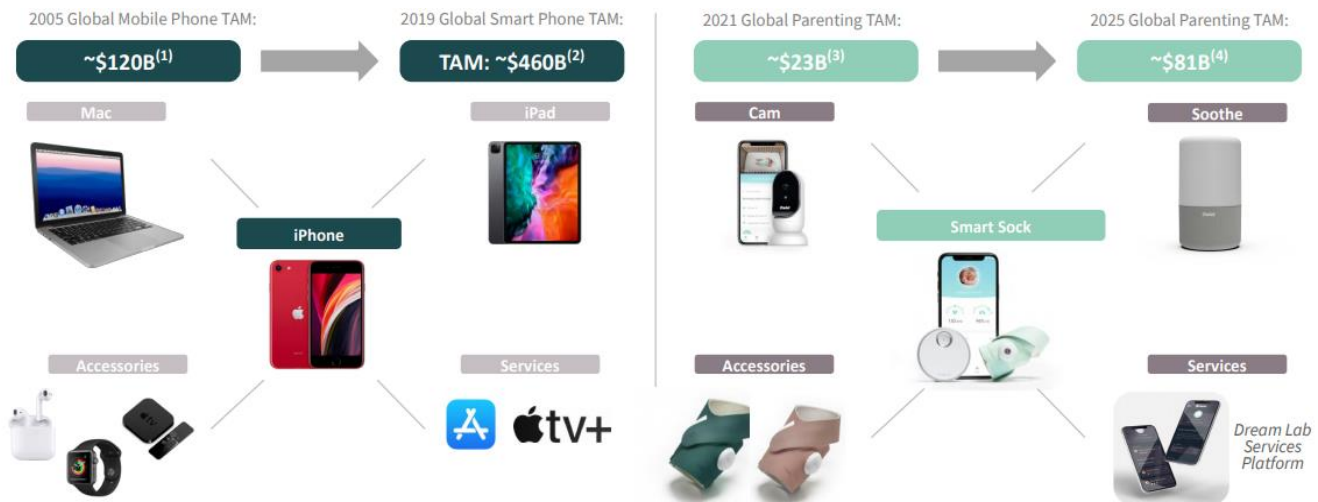
Source: Intro-act. Market Cap data as of 4/20/21.

- **Evolution of OWLT’s digital ecosystem is very similar to that of Apple (AAPL), suggesting the huge growth runway ahead for OWLT and its shareholders.** Many companies have tried to use the ecosystem approach, but Apple has been one of the most successful ones at implanting this strategy. The secret to Apple’s ecosystem is that instead of selling products or services, Apple ends up selling experiences made possible by integrating its hardware, software, and services – much like OWLT is aiming to do for its target customers (parents and babies) by offering them peace of mind and a better parenting experience.

 - **Apple currently holds the position of the world’s most valuable company even though it does not actually hold a major share in any of its main product markets.** Its unit share of the personal computer market is less than 10%, while Lenovo and HP each control over 20%. In the global smartphone market, it lags both Samsung and Huawei in unit share. However, through its product ecosystem, Apple ties together its various offerings to generate high demand and brand loyalty, while maintaining premium pricing. Apple first entered the music player market with the iPod; however, the company’s fledgling ecosystem came with some serious trade-offs as its online music store, iTunes, was first accessible only to Mac users, and its accompanying Fairplay software prevented users from engaging in the prevalent practice of illegal music sharing. To get customers to lock into this new system of buying and playing music, Apple’s ecosystem had to offer considerable advantages over competitors that could make up for these restrictions. Apple ensured that its iTunes and iPod products worked together in a way competing products could not easily imitate. The process of downloading music was made simple by coupling the two; users could easily sync music from iTunes to their iPods and access that music through a straightforward interface.
 - **Over the years, Apple’s ecosystem has spanned to include the omnipresent iPhone, laptops, tablets, wearables, television, and even electronic payment services. As a result, the company’s addressable market has expanded from \$120 billion to \$460 billion.** On their own, Apple products attract users with their form factor and ease-of-use, but the synergies between them are the standout feature. Software services like AirDrop and iMessage allow

users to reap additional benefits of owning both Apple computers and phones, while also creating network effects as the number of Mac and iPhone users rises. As Apple continues to increase both the size of its user base and the scope of its product lines, it will have more opportunities to create synergies between them and increase the value provided to those in the Apple ecosystem.

Chart 32: Compelling Anchors like Apple iPhone and Owlet’s Smart Sock are Ecosystem Engines



Source: Intro-act, OWLT

- 1) 2005 global mobile phone TAM calculated as 800mm units * average device sales price of \$146. Sourced from IT Facts
- 2) 2019 global smartphone market sourced from Evercore.
- 3) Company estimate based on product roadmap, 0-5 infant population, U.S. demographic data is based on registered births in 2018 and includes pregnancies. EU demographic data is based on registered births in 2019 and includes pregnancies. Asia demographic data is based on registered births in 2019 in China, Japan, and South Korea and includes pregnancies. The number of pregnancies is calculated as an assumed 75% of annual births in that region.
- 4) Assumes the same demographics as today’s calculation for illustrative purposes. Includes future telehealth opportunity. (note a portion of TAM is from telehealth and subject to FDA authorization)

- **With the smart sock as the anchor, OWLT is also creating a digital ecosystem that will not only help it expands its target market to \$81 billion but will disincentivize users from switching to other brands due to the high switching costs involved.** To leave an ecosystem, customers face switching costs equivalent to the value provided by the product being replaced and the beneficial interactions it had with other products and customers. Customers leave if the value provided by the replacement product exceeds the switching cost. Thus, higher the synergy between products, the greater the switching costs and the harder it is for customers to leave. As a result, consumers become locked into an ecosystem as they buy more of its constituent products and face higher switching costs. This helps companies create inelastic demand, in which customers demand similar quantities of a good even at higher prices. OWLT’s growth strategy has been crafted keeping this important point in mind. Much like the iPhone, the Owlet Smart Sock is a “Must Have” product for its integrated nursery and has been positioned at its center (see chart above). The Smart Sock will allow OWLT to get customers past the initial hurdle of joining the ecosystem and once customers enter the ecosystem, other products will enhance user experience and ensure that switching costs are high and that customers are deterred from going to competitors. We believe this a huge moat in the baby tech market and one that most, if not all, other competitors lack.

- **The second source of OWLT’s moat is its proprietary data advantage, which results in network effect and will emerge as a key source of value creation in the years to come.** Platforms with network effects get better as they get bigger — not just in value to users, but also in accruing more resources to improve their product, thus strengthening the “flywheel”. Network effect can lead to an improved experience as more people participate but can also encourage new participants as they look to benefit from the network. The network effect has created exponential growth rates for platforms such as Facebook,

YouTube, Instagram, and Tencent. Many of today’s most large and popular companies are heavily influenced by network effects – these include names like eBay, Amazon, Alibaba, Uber, etc. and a study by NfX suggests that 70% of the value creation in technology is driven by the network effect. OWLT is primed to benefit from network effect because of the following:

- OWLT’s early-mover advantage in the connected nursery field has afforded it a large and growing infant dataset.** 1.5 million parents have downloaded OWLT’s application till date, 250,000 users per day are opening its application (as of January 12, 2021). In addition, OWLT monitors nine billion heartbeats on a daily basis and 850,000+ babies that have been monitored since the launch of the Owlet Smart Sock. The data from the company’s connected product suite informs its algorithms to reduce inaccuracies and improve user experience. The company is also exploring the potential for use of this data to provide unique predictive insights into future potential illnesses and complications as it seeks to develop and pursue regulatory authorizations for its medical-grade product solutions aimed at addressing problems like sleep irregularities, RSV, pneumonia, bronchiolitis, chronic lung disorders (CLDI), and Congenital Heart Defects (CHD).
- As OWLT’s client base and proprietary dataset continues to expand, predictive insights from its products will continue to improve, thereby allowing the company to develop even better solutions and garner higher market share.** The more customers OWLT has, the more data it will gather, and that data, when analyzed with machine-learning tools, will allow it to offer better products that attracts more customers which in turn will lead to more data, thus creating a strong network effect. Once OWLT’s product or service reaches the data tipping point and starts exhibiting data network effects, it will no longer depend on the addition of new users to offer incremental value. While addition of new users will generate additional data points and thus contribute to value enhancement, existing users’ engagement will be enough to create a continuous increase in value that will make it extremely difficult for rivals to compete.

Chart 33: OWLT Clinical and Consumer Efforts Have Synergistic Network Effects



Source: Intro-act, OWLT

- The third tenet of OWLT’s moat is its early mover advantage on both technology and brand, which has given the company a nine-year head start in creating a full stack, category-creating platform.** OWLT is one of the first businesses to connect the nursery through different technologies that work together. Since launching in 2012 and releasing the Owlet Smart Sock in 2015, it has been a disruptor in the digital parenting space. This head start has allowed it to successfully develop a miniaturized biometric monitor, ship the first Smart Sock to customers in 2015, complete clinical trials, and amass a large and growing body of biometric data. (See chart below for list of key innovations by OWLT across the technology stack). This innovation-driven approach not only enhances product quality and user experience but is also key to the company’s lead over other brands in the market, reflected in OWLT’s high NPS scores vs. peers discussed earlier.
 - OWLT’s focus on innovation is also reflected in the company’s strong intellectual property portfolio.** OWLT has 24+ issued patents (with numerous others pending) and 40 registered trademarks. Its patents include utility patents covering technology ranging from placement of electrodes to the base of the baby monitor. The company has foreign patents and patent applications pending in the EU, Australia, Canada, and China. Its issued patents with claims generally directed to an infant sock comprised of a sensing device in a sleeve in the sock and a strap are expected to expire in the U.S. in 2032 and in China in 2035. OWLT’s issued patents with claims generally directed to placement of fabric electrodes and assembly of such are each expected to expire in the U.S., the EU, Australia, China, and Canada in 2038.

Chart 34: OWLT’s Innovations Across the Entire Technology Stack Enhance Accuracy & User Experience While Limiting Competition

Key Innovations:	Owlet’s Tech Stack
1. Fabric: Custom 3D knit seamless fabrics that conform to the body to enhance readings without compromising comfort. Ultra thin electrode sensors embedded in the fabric	Fabrics
2. Electrical: Proprietary circuit boards that are small and low power while still maintaining extremely low noise that enables high quality measurements and better accuracy	Electrical
3. Firmware: Low power FW innovations on both Sock and Band for extended usage durations, minimal battery footprint, and immediate data access	Firmware
4. Algorithm: Optimized machine learning on a microcontroller enables monitoring heart rate through motion for 97% nightly coverage in monitoring ⁽¹⁾	Algorithms
5. Mobile: Scalable architecture that allows for multiple devices to stream data across both Android and iOS applications. CI/CD system for fast unit testing and releases	Mobile
6. Backend: Globally scalable, built for data science and business intelligence. Immediate software updates to products in the field. Batch, SKU, and version tracking on the backend. GDPR and CCPA compliant.	Backend

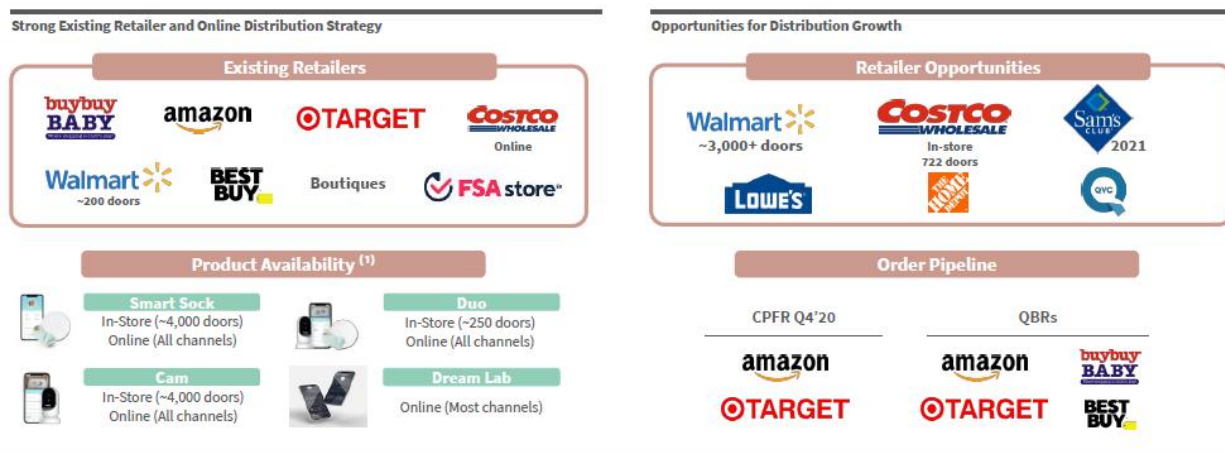
Clinically Validated and Customer Friendly			
Smart Sock 3 Key Features <ul style="list-style-type: none"> Miniaturized Tech Low cost Wireless Utilizes AI driven algorithms and accelerometry to drastically reduce false alarms 	Band Design* vs. Corometrics 170: <ul style="list-style-type: none"> Estimated 1/600th the size Estimated 1/16th the cost Wireless vs. powered Passive ECG (vs. active energy heavy ultrasound) Dry electrodes (vs. uncomfortable sticky electrodes) 	Smart Sock 3 Validation and Results: <ul style="list-style-type: none"> SS3 exceeds industry standards in 3rd party validation for both SpO2 and heart rate <ul style="list-style-type: none"> 2.1 ARMS SpO2 1.96 RMS heart rate 	Band* Validation and Results: <ul style="list-style-type: none"> Owlet Band being developed to accurately estimate fetal heart rate compared to Corometrics 170 with an average error of +/-2.21 BPM (in house testing) Third party accuracy validation started at Columbia University Irving Medical Center. (paused due to COVID-19)

Source: Intro-act, OWLT

- Use of complementary technologies that complete the Owlet ecosystem and contribute to the network effect is another source of differentiation.** OWLT leverages complementary technologies to provide real-time feedback, analytics, and insights. Its products feature proprietary, low-power biometric monitoring while maintaining extremely low noise and enabling high quality measurements. OWLT employs multiple patented sensors with superior placement in the best locations for infants – the feet. Its algorithms drive accurate biometric readings and have reduced the nuisance alarm rate to a fraction of prior rates. OWLT’s sleek, comfortable monitors wirelessly transmit reliable, real-time data to users via its application. Together, the combination of hardware and software is intended to provide parents with peace of mind without disturbing the infant.

- OWLT’s product pipeline is future oriented with design features that are optimized for in-home digital health.** As discussed earlier, telehealth adoption is rising dramatically, as patients and providers are increasingly relying on remote delivery options to supplement or entirely replace care in a clinical setting. OWLT is well positioned to take advantage of these trends through future healthcare products and services optimized for remote usage. OWLT’s product candidates in its pipeline, if successfully developed, authorized by regulatory bodies, and commercialized, may enable parents and medical providers to easily monitor maternal and infant health data remotely on smart devices via its proprietary application. Its current products are uniquely positioned in the consumer and technology industries, with proprietary features that appeal to users and may enable it to grow into healthcare applications. Additionally, OWLT’s products are consciously designed keeping telehealth in mind and rigorously tested, which translates to a superior in-home monitoring experience. (We discuss OWLT’s medical and telehealth initiatives in detail in the next section focused on ‘Every Baby’ and Telehealth.)
- A robust multi-channel distribution strategy complements the company’s technology and brand leadership and will contribute to future market share gains.** OWLT has made its products accessible to users around the world. Retail customers are currently able to purchase Owlet either directly online at its website, on Amazon or in-store at over 3,500 retail locations such as buybuyBaby, Target, and Best Buy. OWLT’s large and growing distribution footprint allows users to select the channel that is most convenient to them. As part of its multi-channel distribution strategy, OWLT is targeting e-commerce expansion and more retail doors to drive urgency and reduce friction in online and in-store purchase behavior. It is also focusing on aggressive minimum advertised pricing (MAP) enforcements to drive focus on user purchase experience and not price alone. Additionally, current OWLT products are Health Savings Account (HSA) and Flexible Savings Account (FSA) approved, which boosts adoption. This, coupled with company’s plan to expand its distribution network aggressively in the coming years, also differentiates the company from competition.

Chart 35: OWLT’s Multi-Channel Distribution Strategy



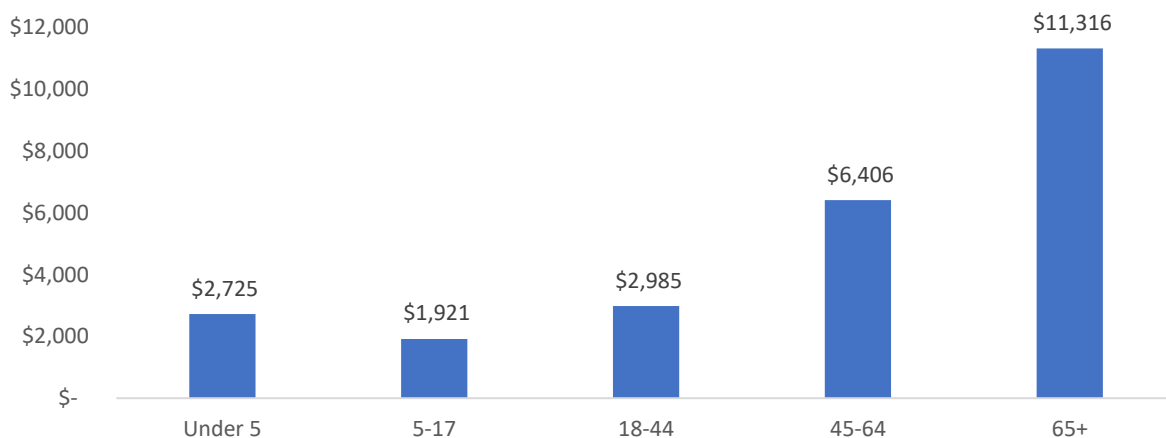
Source: Intro-act, OWLT

- A best-in-class management team is another source of moat for OWLT.** OWLT’s leadership team is squarely focused on the baby-tech market and has experience in healthcare, software, product, and technology at companies including Specialized, Vivint Smart Home, Under Armour, Amazon, and United Healthcare, with a combined over 100 years of professional experience. The industry experience of OWLT’s management team will be complemented by the financial and strategy experience that will be brought into the company by Sandbridge Acquisition Corp., including its CEO Ken Suslow. Overall, the proposed executive team and board of the New Owlet (Owlet, Inc.) will have a healthy mix of industry, financial, regulatory, and medical experience to drive its growth as public company. Detailed biographies of the OWLT’s leadership team are shared in the management team section of the report.

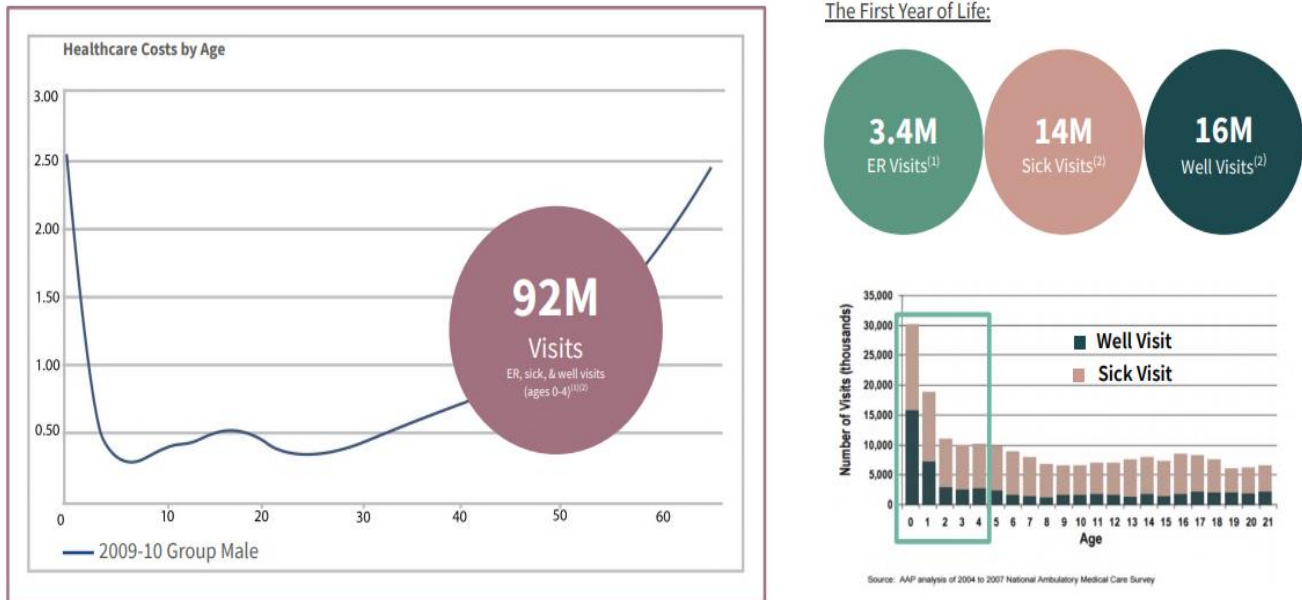
‘Every Baby’, Telehealth, and Medical Devices to Expand the Owlet Platform

- The future of Owlet’s platform for babies and parents will focus on the “Every Baby” and Telehealth opportunities, which in turn are being driven by three primary growth drivers:** 1) the Owlet Smart Sock monitor being an anchor of the connected nursery (consumer and medical), 2) first years of life requiring a lot of healthcare and associated costs, and 3) screening/monitoring potential being a key feature of the emerging telehealth opportunity. As the company expands its connected ecosystem, it will continue to develop platform products and services in order to bring additional solutions into the home. Owlet’s strategy is to integrate with leading telehealth providers who can share infant sleep and health data with medical professionals. We believe obtaining FDA marketing authorization for the Owlet OTC Smart Sock, Owlet BabySat, and Owlet Band products will allow OLWT to develop a native Owlet telehealth platform and directly engage medical professionals to provide an end-to-end digital healthcare solution for its customers.
- OWLT’s “Every Baby” strategy lays emphasis on a newborn’s health and safety, and aims to reduce healthcare costs by moving from curative to preventive healthcare.** Car seats are considered one of the most important baby safety devices and many U.S. states require parents to have one before leaving the hospital because it is one of the best ways to protect a baby. Every year about 80 infant deaths happen in a car accident. On the other hand, more than 3,500 babies die from SUIDs every year – this is more than 40x the number of deaths due to car accidents and is one of the major reasons for infant death. We believe OWLT has the potential to develop products that can address this problem, starting with the medical version of its Smart Sock, which sits as the center of the company’s consumer and medical strategy, and is fundamental to the company’s belief that one day “Every Baby” will come home with a baby monitor like the Smart Sock, just like the baby car seat. While the consumer version of the Smart Sock will become even more powerful when it hits the adoption level of the car seat, the medical version – currently under development – will become a critical tool for pediatrics.
- Newborn health care costs can be steep and unpredictable, and the move toward preventive healthcare by using of OWLT’s digital ecosystem of products has the potential to reduce those costs.** Healthcare costs are very bimodal, and the first years of life are expensive from a healthcare standpoint. According to U.S. Department of Health & Human Services MEPS data, the average health spending on children less than 5 years of age is around \$2,725 per year. This number drops to \$1,921 per year on average in the 5-17 years category and then goes on to rise significantly after 65 years of age. Further, there are there are 3.4 million Emergency Room (ER) visits, 14 million sick visits (to the doctor), and 16 million well visits that children need to make in the first year of life, resulting in high healthcare costs. The primary reason behind these frequent visits is because it is a delicate age, and a lot can go wrong in the first few years.

Chart 36: Average Health Spending in the U.S. by Age



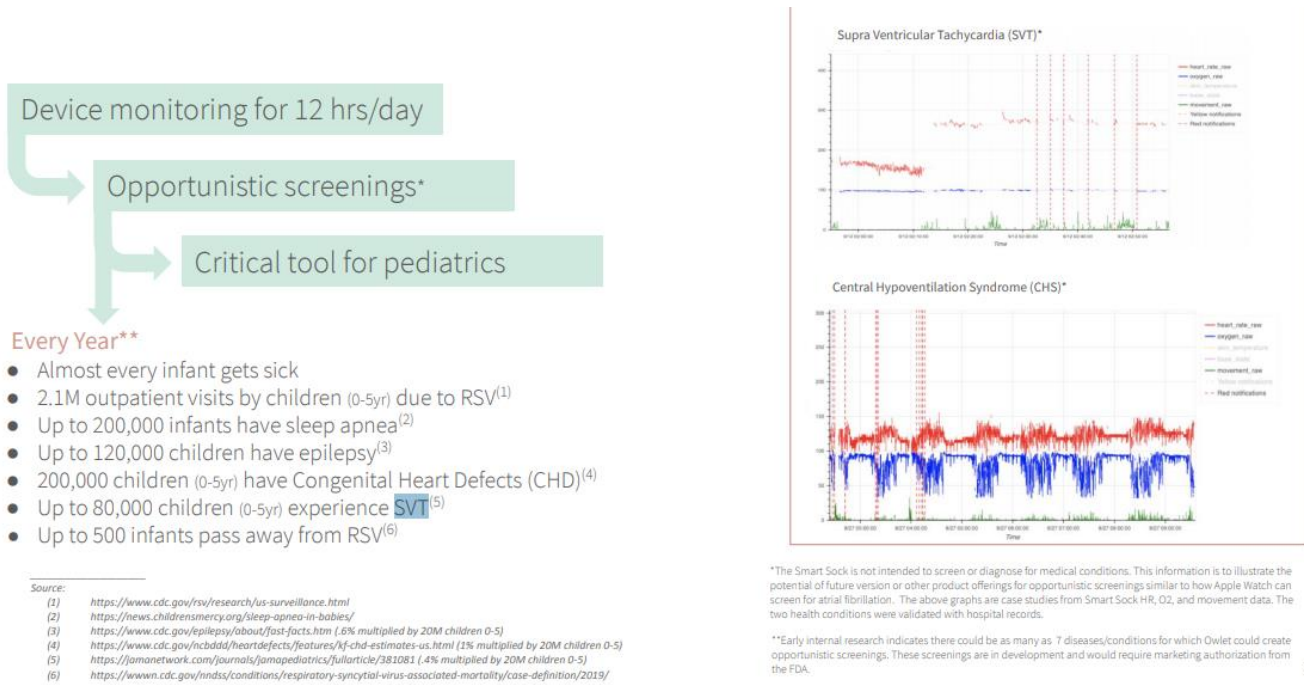
Source: Intro-act, U.S. Department of Health & Human Services MEPS data. Based on 2016 data.

Chart 37: First Years of Life Are Expensive and Marked by Frequent Medical Visits

Source: Intro-act, OWLT, NCPI, AAP

- The screening functionality of the medical version of the Owlet Smart Sock has the potential to solve this problem and emerge as a disruptive pediatric tool.** The Owlet Smart Sock is already being worn by a child for 12 hours per day, and thus OWLT is focused on developing a medical version of the sock to screen different health conditions like sleep apnea, epilepsy, congenital heart defects (CHD), supraventricular tachycardia (SVT), and respiratory syncytial virus (RSV), just like the Apple Watch that screen for health irregularities. **Preliminary medical studies suggest that the medical version of the Smart Sock – currently under development – has the potential for use in the detection of infant health issues.**
 - Supraventricular tachycardia (SVT) is the most common arrhythmia found in children, accounting for roughly 97% of all tachyarrhythmia, or rapid heart rate, in infants. Two large, population-based studies that included a total of 2,021 and 2,848 individuals with a clinical diagnosis of SVT, respectively, previously estimated the prevalence of SVT in infants to be between 0.10% and 0.25%. While the studies did not specify the medical monitoring devices used in those studies, a clinical diagnosis of SVT is generally made using an electrocardiogram or Holter monitor.
 - However, a study reviewed and approved by the Institutional Review Board at the Cleveland Clinic and published in The Journal of Pediatrics found the cumulative incidence of tachyarrhythmia among infants using the Owlet Smart Sock to be higher than those previously reported clinically-diagnosed SVT rates. The tachyarrhythmia study focused on episodes involving a heart rate of at least 240 beats per minute that lasted for more than 60 seconds.
 - Although the Owlet Smart Sock is a consumer product and not a medical device, study investigators were able to observe more than 202 million total hours of anonymized data from 100,949 babies born between February 2017 and February 2019 and monitored by the Owlet Smart Sock. The investigators identified 5,070 total suspected episodes of tachyarrhythmia in 2,508 infants, for a cumulative incidence of 2.5%.
 - We believe this study is indicative of the potential power of OWLT's data set and could support the future development of products for which the company may seek to obtain FDA and other regulatory agency authorization for use in the detection of infant health issues.

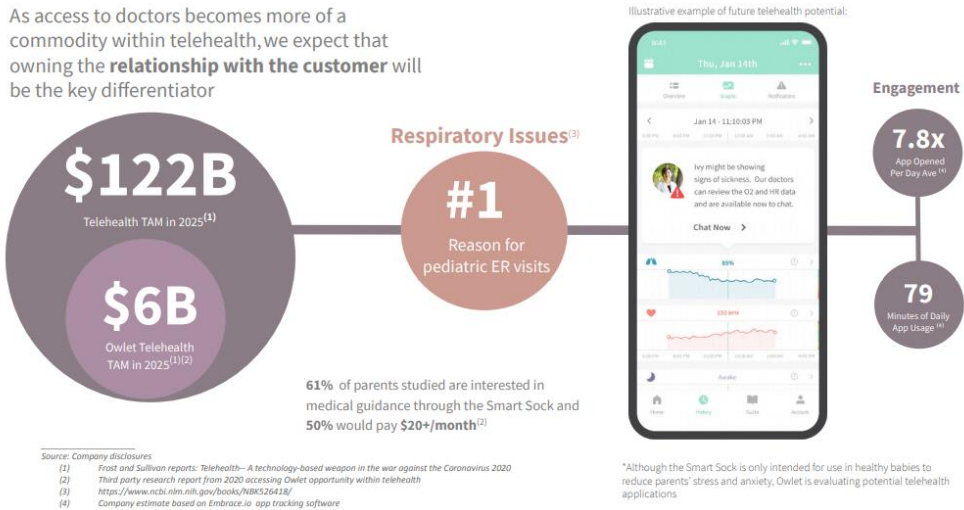
Chart 38: The Owlet Smart Sock’s Screening Functionality Has Massive Potential for Pediatrics



Source: Intro-act, OWLT

- **Successful development of these medical applications/devices will position OWLT strongly for the emerging telehealth opportunity, especially given that OWLT benefits from high user engagement of its products.** The rise of telehealth – accelerated by the pandemic – is changing the patient-doctor equation, with doctors becoming a commodity and the focus shifting toward digital patient experience and satisfaction, i.e., consumerization of healthcare where providers will have to focus on solutions that include, among others, monitoring and data capturing, communications with care teams, scheduling appointments, obtaining needed tests and medications, and other areas, including health system outreach to at-risk and other specific patient populations.
 - **OWLT benefits from high user engagement with its products as it stands today.** Parents are opening OWLT’s app around 8 times a day and spend about 79 minutes in checking on the baby’s health. This increases substantially when the child gets sick as parents constantly check during the time of illness. OWLT can help parents by offering them the opportunity to schedule a telehealth visit by using the Owlet app, where the doctor can view the child’s data and offer evidence-based treatment.
 - **OWLT’s data will be extremely helpful for parents, as it can reduce the stress, time, and money in treating the child.** As discussed earlier, 1.5 million parents have downloaded OWLT’s application till date, 250,000 users per day are opening its application (as of January 12, 2021). In addition, OWLT monitors nine billion heartbeats on a daily basis and 850,000+ babies that have been monitored since the launch of the Owlet Smart Sock. This, coupled with the high engagement level of its app– especially when children are sick – will make Owlet the go-to option for parents looking for a telehealth solution to monitor their baby’s health.

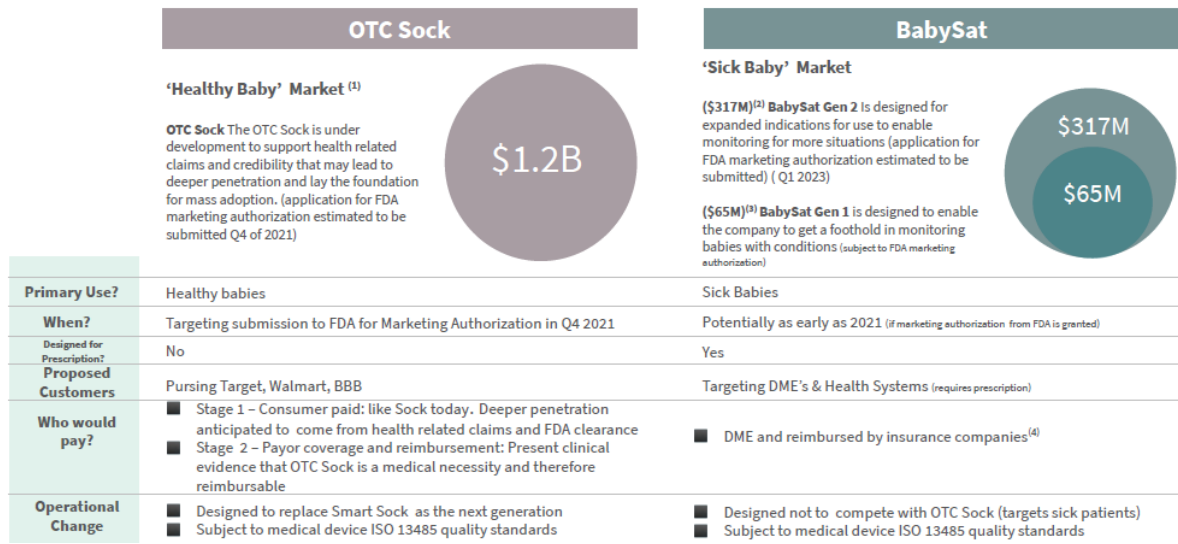
Chart 39: OWLT Is Well Positioned to Benefit from Growing Telehealth Adoption



Source: Intro-act, OWLT

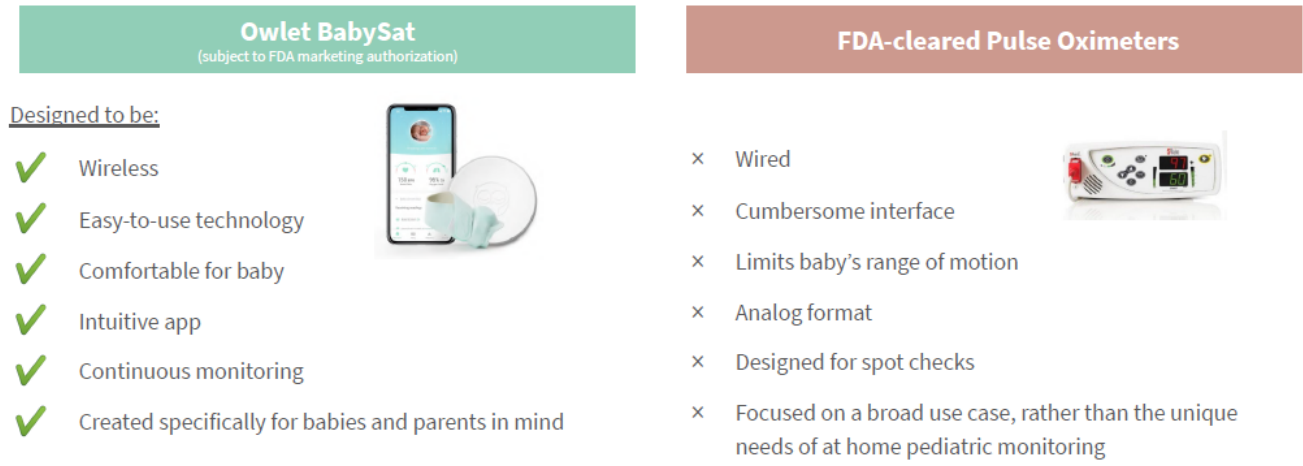
- Overall, OWLT's path to "Every Baby" and Telehealth comprises of 1) investing in medical devices and 2) research. In 2018, OWLT kicked off the development of its BabySat device and is currently pursuing marketing authorization from the FDA. OWLT is currently developing two medical versions of the Sock intended to 1) open new opportunities with key opinion leaders (KOLs) in pediatric research, 2) enhance its telehealth offering, and 3) enable the possibility of reimbursement and legislation. The next step toward the path to telehealth is research. OWLT currently has 12 research projects either in progress or completed. OWLT continues to work on generating safety and efficacy data for its products for medical uses, and when OWLT obtains the FDA clearance for its medical devices, the opportunity for parents to use OWLT's telehealth platform will get amplified. As more parents will start using baby monitoring devices, they can help push legislation just like it occurred with the car seat and infant CHD screenings. Insurers may also cover products similar to other medical devices such as the breast pump and continuous glucose monitoring.

Chart 40: Medical Devices Being Developed by OWLT



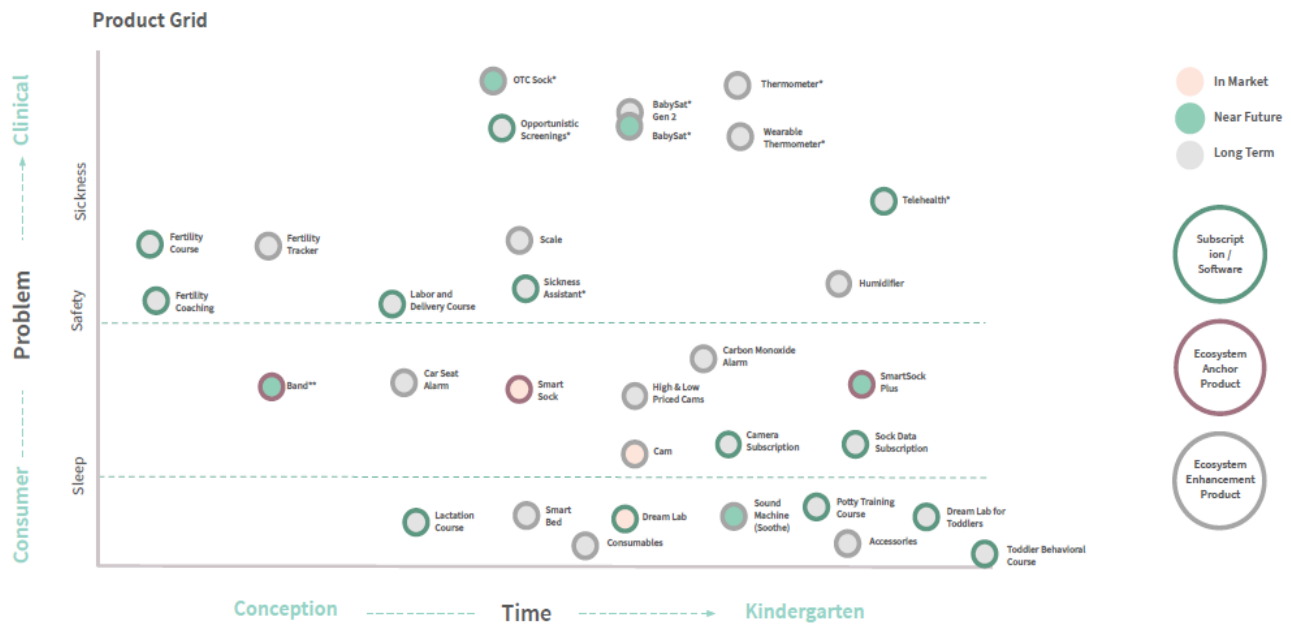
Source: Intro-act, OWLT

Chart 41: The Owlet BabySat Is Positioned to Excel in the Medical Category



Source: Intro-act, OWLT

Chart 42: Future Product Opportunities Offer OWLT a Long Growth Runway

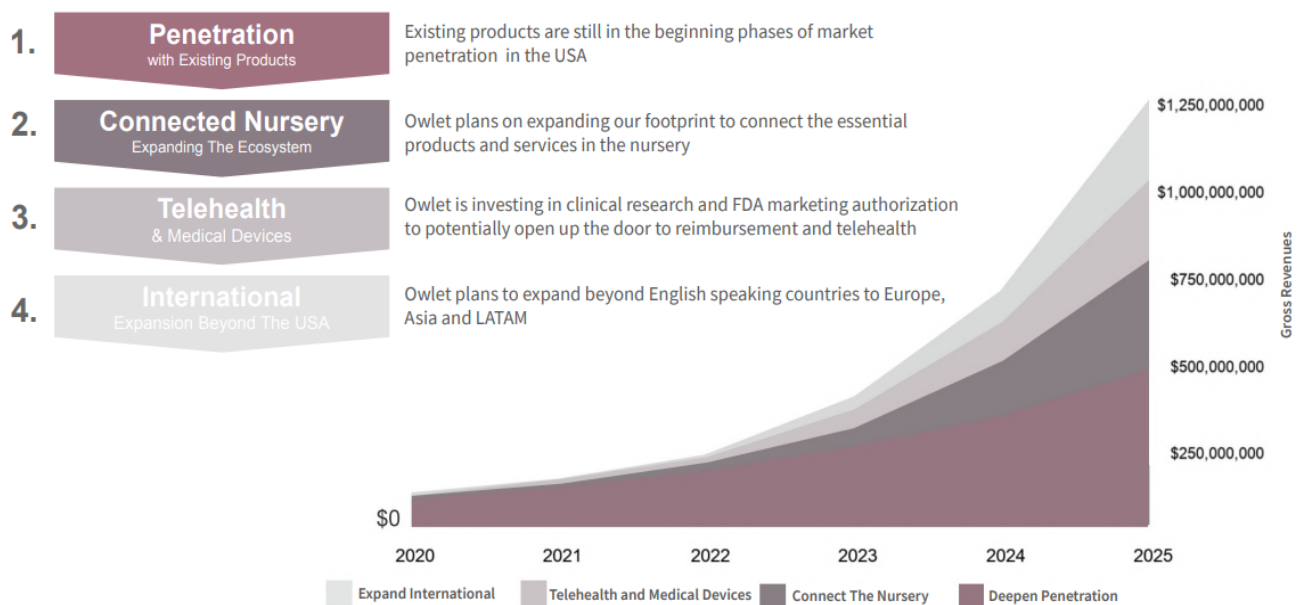


Source: Intro-act, OWLT

Focused Growth Strategy Aimed at \$1 billion+ Topline by 2025

- OWLT has a multi-pronged growth strategy which comprises of the following elements:** 1) leveraging brand awareness and growing distribution to increase penetration, 2) adding new data-driven products to expand the digital parenting ecosystem, 3) investing in clinical research and pursuing FDA marketing authorization for its products, and 4) expansion to new geographical markets across the world. On the inorganic front, the company plans to pursue strategic acquisitions of companies and platforms to strengthen its ecosystem and platform. All these strategic priorities are aimed at helping the company garner higher market share, grow topline to \$1 billion+ by 2025, expand the Owlet product portfolio, and optimize customer lifetime value and customer acquisition costs. We discuss these priorities in detail below.

Chart 43: Key Elements of OWLT's Growth Strategy



Source: Intro-act, OWLT

- Leveraging brand awareness and growing distribution to increase penetration.** OWLT intends to continue its efforts to become one of the most recognizable brand names in the digital parenting category. After becoming a recognizable brand, OWLT's products will stand out in a highly fragmented market of legacy companies lacking a category leader. There is an ample room for growth as its existing product suite is in the beginning phase of market penetration. OWLT plans to leverage its paid and organic marketing efforts across social media, display advertising, and email marketing to boost top-of-mind awareness and acquire new users at a sustainable cost. To bring Owlet to more families, the company will focus on increasing retailer penetration to 5,000 retail locations by the end of 2022, from an existing penetration of 3,500 retail locations.

Chart 44: Leverage Brand and Distribution to Bring Owlet to More Families



Source: Intro-act, OWLT

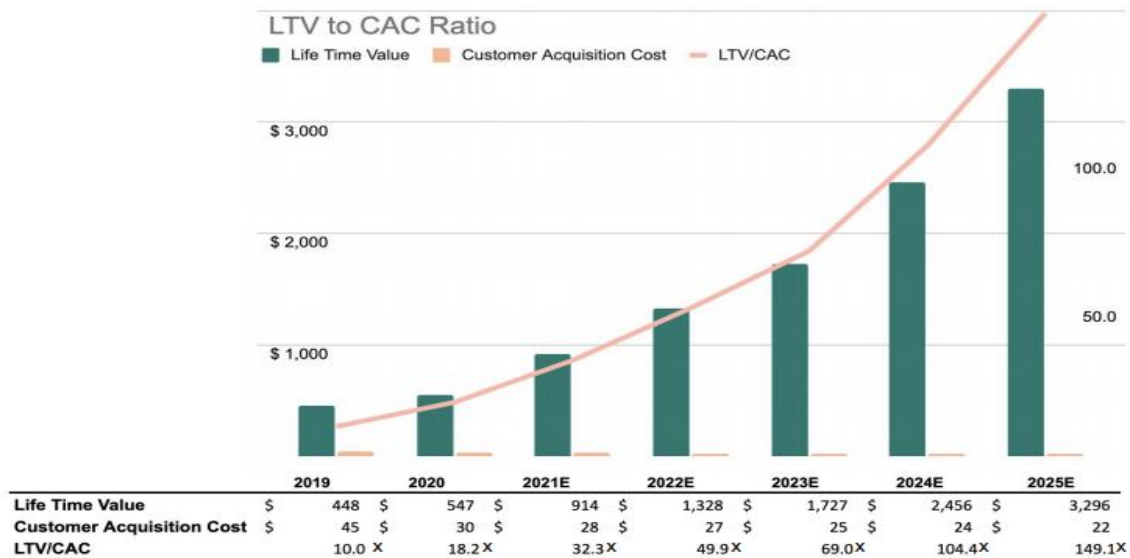
- OWLT plans to add new data-driven products to expand its digital parenting ecosystem.** OWLT’s strong brand and platform provide a strong position to develop adjacent products. For example, OWLT is planning to develop the Owlet Soothe, a white noise machine designed to create a more relaxing bedroom environment; the Owlet Smart Bed, which would connect with the Owlet Smart Sock to understand a baby’s sleep cycles and would utilize automated motion technology to lull babies back to sleep when they wake up; and the Owlet Humidifier, which would integrate with the Owlet OTC Smart Sock to automatically turn on when respiratory sickness symptoms are detected or when the room falls below a certain humidity threshold. As OWLT develops additional products, parents will increasingly rely on its connected ecosystem for digital parenting solutions. As OWLT adds new products and services in the ecosystem, this will drive meaningful expansion in the Long-Term Value (LTV) from OWLT’s customers, which stood at \$547 in 2020, but it is expected to expand to over \$3,000 by 2025 as the company executes its strategy. The economics of such expansion is compelling as by leveraging brand value and ecosystem, OWLT’s total customer acquisition cost will reduce ~30% from \$30 in 2020 to \$22 in 2025.

Chart 45: Expanding OWLT’s Ecosystem



Source: Intro-act, OWLT

Chart 46: An Expanded Ecosystem Will Drive Down Customer Acquisition Costs and Push Life Time Value Higher



Source: Intro-act, OWLT

- Investing in clinical research and pursuing FDA marketing authorization to potentially open the door to coverage and reimbursement and telehealth.** OWLT intends to grow into the medical and telehealth markets by pursuing FDA marketing authorization of certain products and by continuing to invest in clinical research, as exemplified by its recent tachyarrhythmia study published in *The Journal of Pediatrics*. If OWLT is successful in obtaining marketing authorization from the FDA for the Owlet BabySat, it could build further credibility for its platform with the medical community and help open new medical channels and markets. OWLT is already developing the Owlet OTC Smart Sock as Owlet’s medical-grade, over-the-counter version of the Owlet Smart Sock for healthy babies with no underlying medical conditions and expects to pursue an expanded intended use and marketing claims, which could lead to further market penetration. FDA marketing authorization for either of these products would help open the door to expanded services.

Chart 47: OWLT’s Focus on Telehealth and Medical Devices is Key to its Growth Strategy

1 BabySat

Building credibility and opening up a new market

- First pulse oximeter designed for babies
- Designed to utilize telehealth platform
- Designed for babies with health conditions

2 OTC Sock

Expanded claims could lead to deeper penetration

- Designed to utilize telehealth platform
- Designed for healthy babies
- Designed to opportunistically screen for health conditions

3 Telehealth

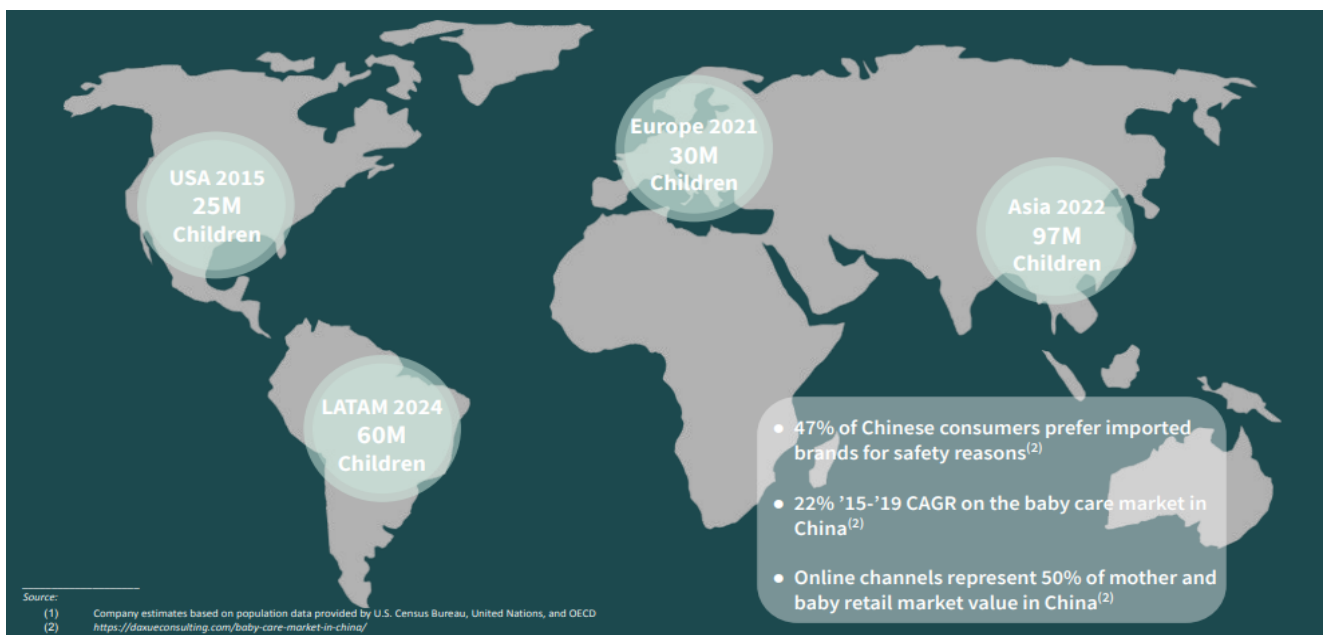
Designed to make care easier for parents

- Designed to be convenient and easy for physicians and parents
- 61% of parents studied are interested in medical guidance through the Smart Sock and 50% would pay \$20+/month⁽¹⁾

Source: Intro-act, OWLT

- Expansion to geographical markets outside the U.S. is another core part of OWLT’s growth strategy.** Although OWLT’s existing primary market is U.S., its goal is to continue to use its operating knowledge to expand into new countries successfully and meaningfully. OWLT plans to capitalize on its expansive and growing ecosystem of offerings and acquire additional market share globally, with heightened focus on Europe, Asia, and Latin America. Initially, the company expects to utilize its existing online channels to facilitate geographic expansion. As its retail penetration increases and brand awareness grows outside of the U.S., it intends to further leverage retail channels and locations to ensure efficient and strategic global customer acquisition. OWLT is first planning to expand in Europe this year, where there are more babies born than in the U.S. After Europe, there is sizeable market opportunity in Asia and Latin America, which OWLT intends to target by 2025. For context, Asia alone is 4x the size of U.S. baby care market and could drive fast and sustainable growth for the company for many years to come.

Chart 48: International Expansion to Europe, Asia & LATAM Will Drive OWLT’s Growth



Source: Intro-act, OWLT

- On the inorganic front, OWLT intends to further deepen its position as a leader in the digital parenting category by opportunistically pursuing acquisitions of companies, platforms, and technologies** that would be accretive and complementary to its existing ecosystem. The company plans to seek opportunities, particularly healthcare and software-based services, to expand its technological capabilities and product and service offerings to provide incremental value to users. OWLT’s digital parenting ecosystem provides a strong foundation to integrate prospective targets and consolidate a fragmented field of products, further bolstering market reach and growth trajectory.

Best-In-Class, Passionate, and Experienced Management Team

OWLT was founded by family-focused individuals with an ability to ‘think big’. Kurt Workman, Jordan Monroe, Zack Bomsta, and Jake Colvin founded Owlet because they wanted access to real-time data to give them peace of mind as new parents. Infant monitoring solutions were highly fragmented and provided limited real-time awareness, leading to a less-than-optimal solution for concerned parents. There was also no product on the market available for parents to track a baby’s sleep patterns, oxygen levels, and heart rate at home. OWLT’s founders’ love for their children inspired them to launch Owlet in 2012 and create the Owlet Smart Sock, which was first sold in 2015. **In addition to being mission driven, OWLT’s management has created a divergent and disruptive culture of innovation, and its leadership team has experience in healthcare, software, product, and technology at companies including Specialized, Vivint Smart Home, Under Armour, Amazon, and United Healthcare, with a combined over 100 years of professional experience.**

The industry experience of OWLT’s management team will be complemented by the financial and strategy experience that will be brought into the company by Sandbridge Acquisition Corp., including its CEO Ken Suslow. Overall, the proposed executive team and board of the New Owlet (Owlet, Inc.) will have a healthy mix of healthcare, technology, financial, and regulatory experience to drive its growth as public company. The following is a list of the persons who are anticipated to be New Owlet’s directors and executive officers following the Business Combination and their and anticipated positions following the Business Combination.

- **Kurt Workman – CEO and Director.** Mr. Workman co-founded and served as the Chief Executive Officer of Owlet from the company’s founding in 2012 until December 2019. During his tenure as Chief Executive Officer of Owlet, Mr. Workman led the company’s growth from its inception and was instrumental in overseeing the research and development of several of the company’s key product offerings, including the iconic Owlet Smart Sock, Owlet Cam, and the Owlet Band. Mr. Workman has also served as a member of Owlet’s board of directors since he co-founded the company in 2012 and continues to provide key oversight of Owlet’s product portfolio, strategy, and growth opportunities. Mr. Workman studied Chemical Engineering at Brigham Young University.
- **Michael Abbott – President and Director.** Mr. Abbott has held a variety of leadership roles with Owlet, including as President and a member of the Owlet Board since December 2019. From January 2018 to December 2019, he served as Owlet’s Chief Financial Officer and Chief Operating Officer, where he was instrumental in securing financing and setting operational standards to fuel Owlet’s growth. Before joining Owlet, from January 2014 to December 2017, Mr. Abbott served as the Chief Financial Officer and Chief Operating Officer of Mission Athletecare, where he was responsible for all financial and operational functions. Prior to his time at Mission, Mr. Abbott served as Chief Operating Officer at Specialized Bicycle Components, a premier cycling manufacturer, and Burton Snowboards. At both companies, he was responsible for all operating units and financial functions.
- **Kate Scolnick – Chief Financial Officer and Director.** Ms. Scolnick served as the Vice President of Finance at Anaplan, Inc. from June 2019 until joining Owlet in March 2021. During her tenure at Anaplan, she oversaw corporate financial planning and analysis, global sales finance, and global procurement. Prior to joining Anaplan, Ms. Scolnick served in various executive roles at Seagate Technology from February 2012 until January 2019, where she was responsible for driving its financial operations and maintaining relationships with banks, auditors, and shareholders. From June 2015 until June 2019, she served as a director of the Silicon Valley Chapter of the National Investor Relations Institute and from December 2017 until July 2018, she served as a director of eASIC and a member of its audit committee until it was acquired by Intel Corporation. Ms. Scolnick holds a B.A. in history from Michigan State University and holds a certificate in executive leadership from the Stanford University Executive Program.
- **Ken Suslow – Director.** Mr. Suslow is the Chief Executive Officer and the Chairman of the board of directors of Sandbridge. Mr. Suslow is Founding Managing Partner at Sandbridge Capital, where he chairs the Investment Committee. Mr. Suslow

has led Sandbridge Capital's investments since its inception in 2013, including the majority buyout of Thom Browne, in which Sandbridge Capital fully divested its ownership position through a strategic sale to Ermenegildo Zegna Group. Mr. Suslow also led Sandbridge Capital's investments in Rossignol, The RealReal, Farfetch and Youth to The People, among others. Mr. Suslow also serves as Chief Executive Officer and Chairman of the board of directors of Sandbridge X2 Corp. Prior to co-founding Sandbridge Capital, Mr. Suslow was Managing Director at The Strand Partners, the Los Angeles-based family office vehicle for William C. Powers, where Mr. Suslow advised and led investments in privately held consumer companies. Mr. Suslow serves on the boards of Hydrow, Inc., Youth To The People, Peach & Lily, Inc., and ILIA, Inc., is a Board Advisor to Rossignol's apparel division and is the former Chairman of Thom Browne. Mr. Suslow has a B.A. from Pomona College and an M.B.A. from the Stanford Graduate School of Business.

- **Domenico De Sole – Director.** Mr. De Sole is the co-founder of luxury retailer Tom Ford International, LLC and has been the Chairman of its board of directors since its formation in 2005. During this time, Mr. De Sole also advised TPG Capital Advisors, LLC in connection with the repositioning and sale of Bally International AG. From 1984 to 1994, Mr. De Sole served as President and Chief Executive Officer of Gucci America and, from 1994 to 2004, he served as the President and Chief Executive Officer of Gucci Group, a company he helped transform from an almost bankrupt monobrand company into one of the largest and most profitable luxury groups in the world, which included brands such as Bottega Veneta, Yves Saint Laurent, Balenciaga, Stella McCartney, Alexander McQueen, and Sergio Rossi. Previously, Mr. De Sole practiced law at the firm Patton, Boggs and Blow. Mr. De Sole has served on numerous public and private company boards of directors, including his current roles as Chairman of Tom Ford International, LLC and a director of Sandbridge X2 Corp. and Pirelli & C. S.p.A. He formerly served as Chairman of Sotheby's, lead independent director of Telecom Italia S.p.A. and a director of Acamar Partners Acquisition Corp., Condé Nast, Bausch & Lomb Incorporated, Delta Airlines, Inc., Gap, Inc., Newell Brands Inc. and Procter & Gamble. Mr. De Sole graduated from the University of Rome with a law degree and received an L.L.M. from Harvard Law School where he served as a member of the Dean's Advisory Board.
- **Zane Burke – Director.** Mr. Burke previously served as the Chief Executive Officer of Livongo Health, Inc. from February 2019 to November 2020 and as a director from April 2019 to November 2020. Prior to joining Livongo, he served in various executive roles at Cerner Corporation, a provider of health IT solutions, services, devices, and hardware, from September 1996 to November 2018, most recently as President from September 2013 to November 2018 and Executive Vice President – Client Organization from July 2011 to September 2013. Mr. Burke holds a B.S. in Accounting and a Masters of Accountancy from Kansas State University. He is a certified public accountant, but no longer keeps an active license. Additionally, Mr. Burke serves on the Board of the Truman Medical Center, the Board of the College of Healthcare Information Management Executives, Kansas State University School of Business Advisory Council and Bardavon Health Innovations.
- **Laura Durr – Director.** Ms. Durr served as the Executive Vice President and Chief Financial Officer of Polycom, Inc. from May 2014 until its acquisition by Plantronics, Inc. in July 2018. Prior to becoming Chief Financial Officer, Ms. Durr held various finance leadership roles at Polycom between 2004 and 2014, including Senior Vice President-Worldwide Finance, Chief Accounting Officer and Worldwide Controller. Prior to joining Polycom, Ms. Durr held executive positions in finance and administration at Lucent Technologies, Inc. and International Network Services Inc. and spent six years at Price Waterhouse LLP. Ms. Durr also serves on the board of directors of Netgear, Inc. and Xperi Holding Corporation. She was a certified public accountant and holds a B.S. in Accounting from San Jose State University.
- **Lior Susan – Director.** Mr. Susan serves as the founder and Managing Partner of Eclipse Ventures, LLC, a venture capital firm. Mr. Susan currently serves on the boards of Lucira Health, Inc. (LHDX) as well as the following private companies: Bright Machines, Inc., Augury, Inc., Cheetah Technologies, Inc., Metrolink, Inc. and Cybertoka Ltd. Prior to founding Eclipse in 2015, Mr. Susan founded and managed the hardware investment and incubation platform of Flex Ltd., a multinational electronics contract manufacturer, where he gained knowledge and experience of scaling manufacturing operations for medical device companies.

- Amy McCullough – Director.** Amy McCullough has served as a member of Owlet’s board of directors since April of 2018. Ms. McCullough is the President and Managing Director of Trilogy Equity Partner, LLC, an early-stage venture capital firm. Ms. McCullough has been a member of the investment team at Trilogy for the last fourteen 14 years and has served in her current role at the firm for the last six years. She leads the investment team and is a member of Trilogy’s board of directors, which sets the strategic direction of the fund. Ms. McCullough currently serves on the board of directors of several private companies, including Skilljar, Inc., Boundless Immigration, Inc., Carbitex, Inc., and Bluejay Labs, Inc. dba Showdigs. Ms. McCullough received her B.A. in Business Administration with a focus in Finance from the University of Washington.

Owlet, Inc. – Proposed Leadership Team and Board of Directors		
Name	Age	Positions with the Company
Kurt Workman	31	Chief Executive Officer and Director
Michael Abbott	59	President and Director
Kate Scolnick	52	Chief Financial Officer
Ken Suslow	50	Director
Domenico De Sole	77	Director
Zane Burke	55	Director
Laura Durr	60	Director
Lior Susan	37	Director
Amy McCullough	41	Director

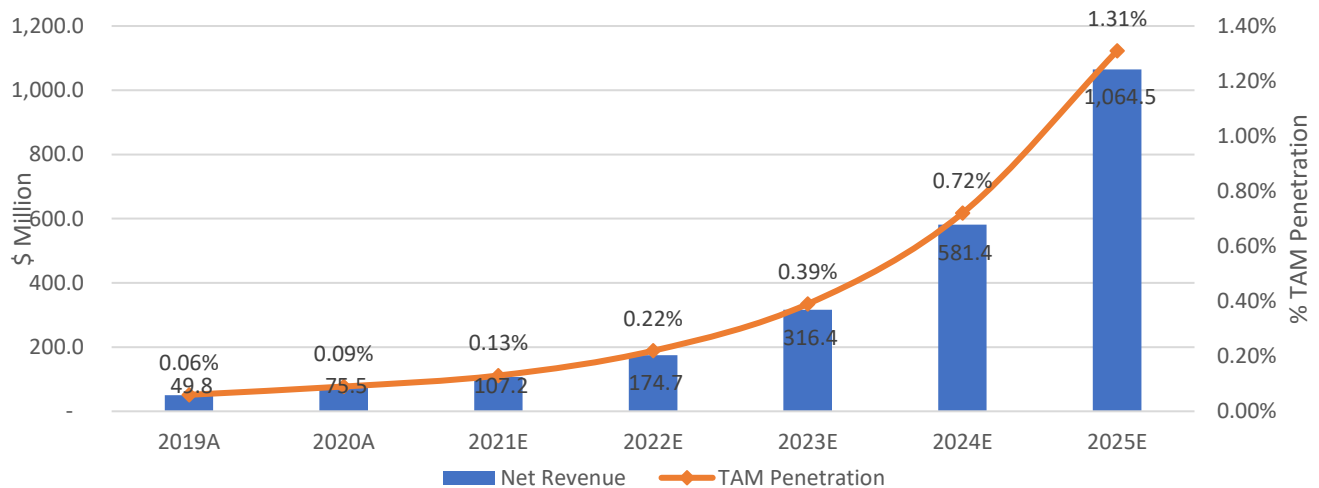
Source: Intro-act, OWLT

Fundamental & Valuation Analysis

Strong Fundamentals, Attractive Valuation Increase Investment Appeal

- Strong product pipeline suggests sustainable revenue growth.** For the year ended December 31, 2020, OWLT reported total revenue of \$75.4 million, up by \$25.6 million, or 51.4%, from \$49.8 million for the year ended December 31, 2019. The increase was primarily due to a 49% increase in sales volume. The increase was primarily driven by substantial sales growth for the Owlet Monitor Duo. Sales to retailers and consumers for the Owlet Monitor Duo increased 101% and 46%, respectively, from the year ended December 31, 2019 to the year ended December 31, 2020. Sales to retailers and consumers for the Owlet Smart Sock also contributed to revenue growth. Owlet Smart Sock sales to retailers and consumers grew 51% and 18%, respectively, from the year ended December 31, 2019 to the year ended December 31, 2020.
- Large addressable market and integrated ecosystem solution will drive future growth.** OWLT has a large underserved growing potential TAM of approximately \$81 billion and it is planning to capture this market aggressively. As OWLT consolidates this space, its numerous product opportunities will drive growth in customer LTV by building an integrated nursery ecosystem across hardware, software, and healthcare. By investing efficiently from the proceeds of the transaction, OWLT aims to achieve 67% revenue CAGR between 2019 and 2025E. Gross margins are expected to expand from 46.0% in 2019 to 56.3% in 2025E. By investing a major portion of the proceeds through 2023E, OWLT expects to become profitable on EBITDA basis by 2024E. Despite rapid top-line growth, the TAM penetration will remain relatively low at 1.31% by 2025E, signaling additional opportunity for long term growth.

Chart 49: Strong top-line growth in relatively low TAM penetration



Source: Intro-act, OWLT

Chart 50: OWLT's Gross Profit Growth and Margin Expansion

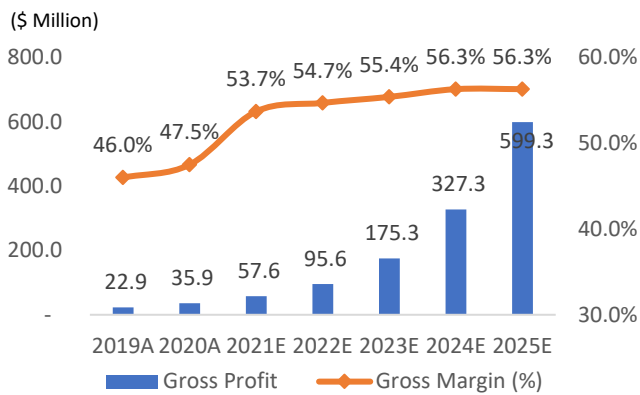
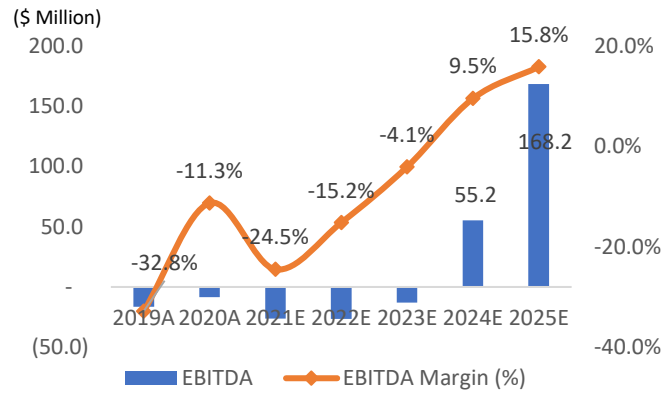


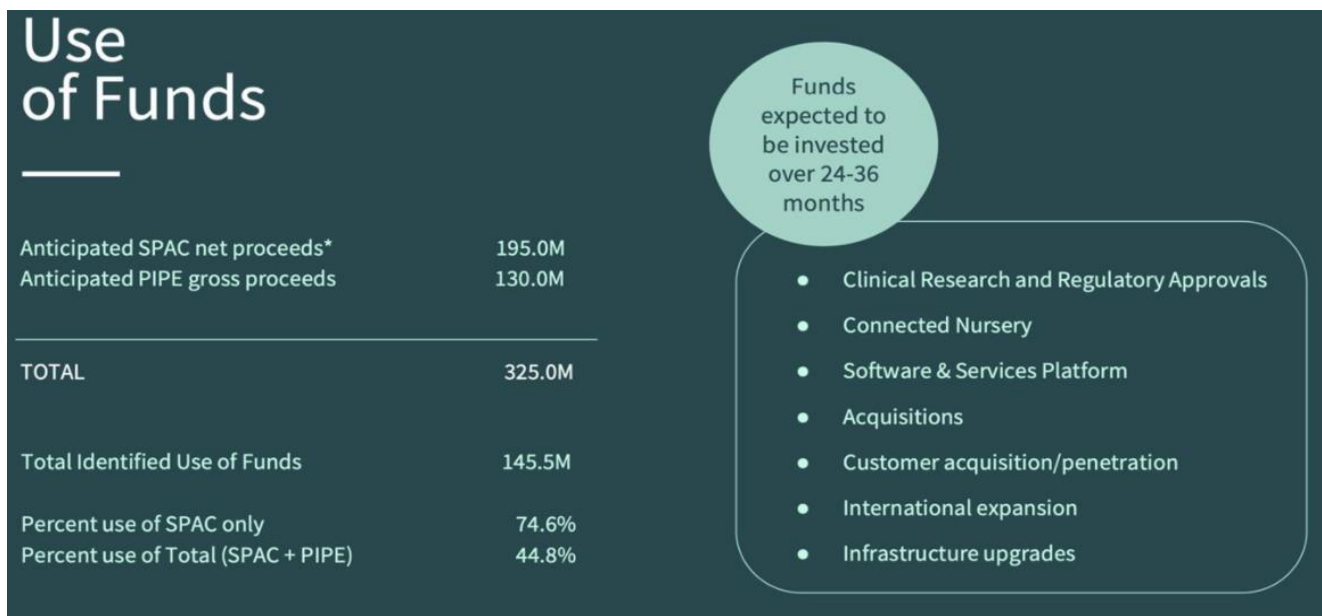
Chart 51: OWLT's EBITDA Growth and Margin Expansion



Source: Intro-act, OWLT

- OWLT has a well-defined plan of using the proceeds from the Sandbridge transaction in a capital-efficient fashion.** OWLT is planning to deploy approximately \$145.5 million towards internal solutions development and towards potential acquisitions. OWLT has constructed a pipeline of acquisition target with an emphasis on supporting its hardware and healthcare strategy. The proceeds will also support additional spend on clinical research, customer acquisitions, international expansion, and infrastructure upgrade.

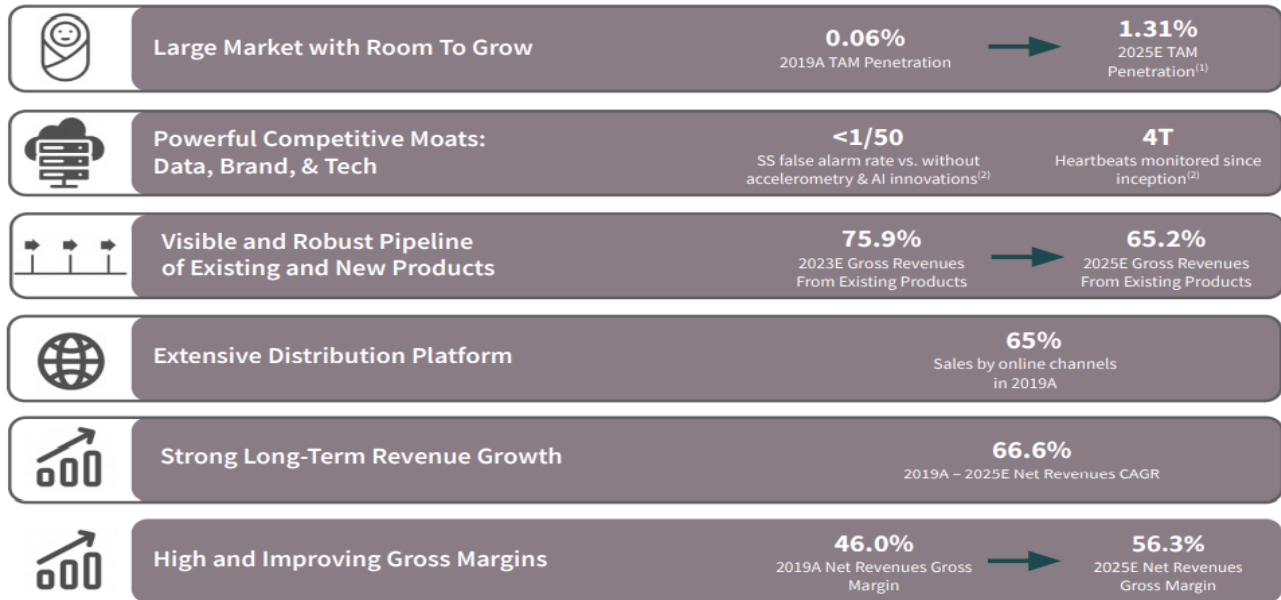
Chart 53: Smart Usage of Proceeds from the Deal



Source: Intro-act, OWLT

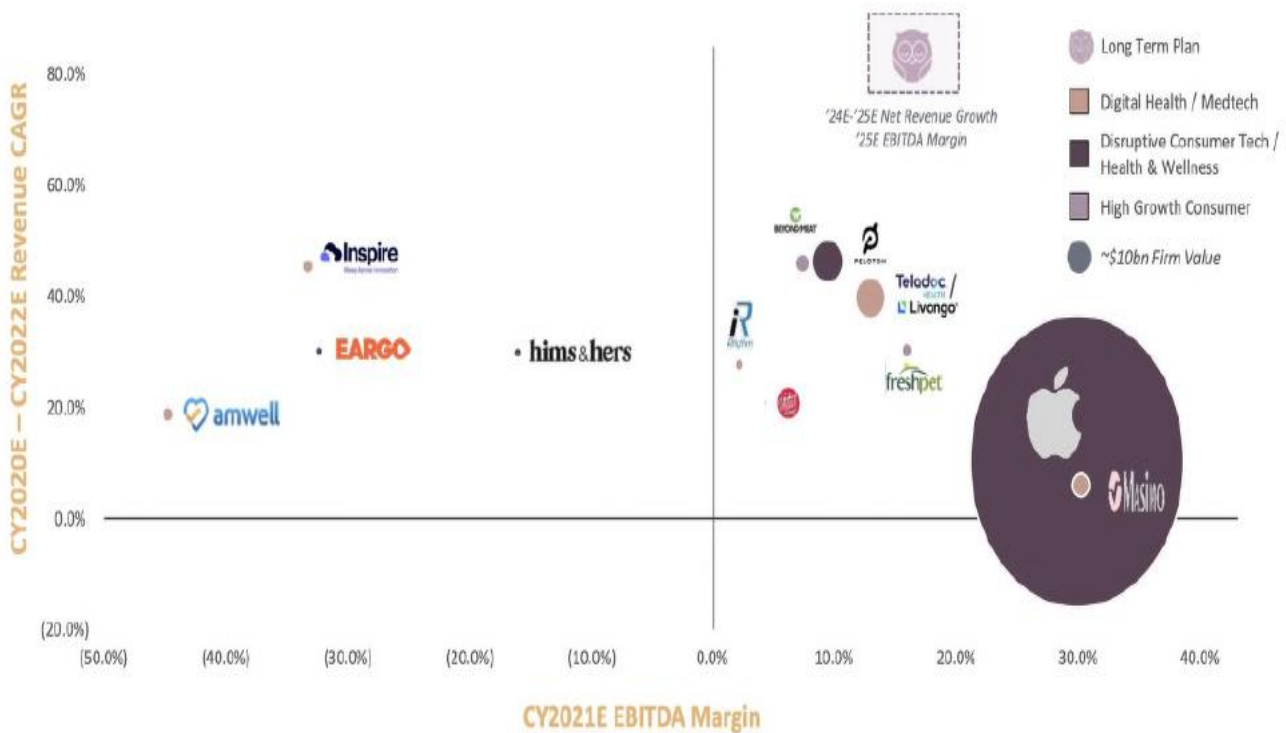
- Overall, OWLT has an attractive business model with large room for growth.** OWLT's TAM penetration is realistic, achievable, and carries the potential for upside. OWLT has sustainable competitive advantage in areas like data, brand, and tech that will continue to compound over time. OWLT has a well-balanced growth strategy driven by both current and new products. It has a multi-channel platform leveraging both existing and new products. OWLT is expected to register a revenue CAGR of 66.6% between 2019 and 2025E, which will also help in growth in margin.

Chart 54: Attractive Business Model



Source: Intro-act, OWLT

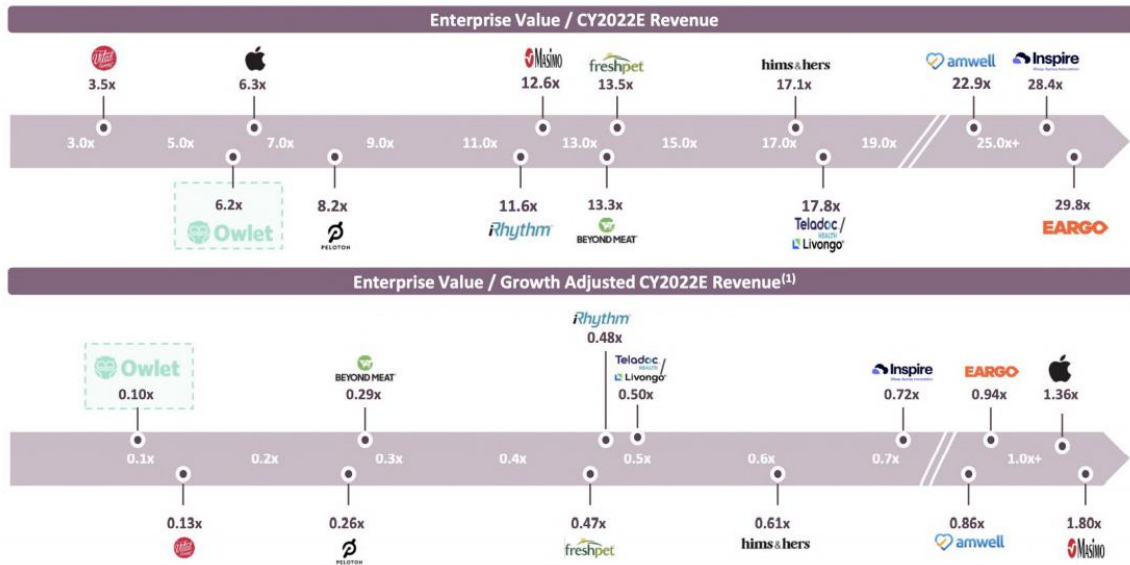
Chart 55: OWLT's Growth Makes It A Financial Outlier



Source: Intro-act, OWLT

- OWLT's disruptive data driven technology ecosystem positions the company alongside best-in-class MedTech and consumer tech peers.** OWLT possesses a rare combination of underlying profitability and strong core growth, all within a large and growing TAM. It is best-in-class among peers on both revenue growth and profitability. While the near-term growth is strong, the long-term growth is even more exciting with expanding software service capabilities and telehealth. OWLT's transactional value is ~6x projected 2022 revenue and on the growth adjusted multiple basis, it stands at 0.10x, which is even more compelling. OWLT has a strong core growth business with a great deal of optionality and in addition to valuation multiple re-rating opportunity as the company continues to execute on its growth plan.
- At \$1.074 billion, the deal with Sandbridge values OWLT attractively and at a discount to peers, leaving room for upside for new investors that are looking to benefit from OWLT's future growth.** Net revenue of OWLT is expected to grow to \$1,064.5 million by the end of 2025E, driven by a rare combination of best-in-class core business and clear path for future outsized growth. The deal with Sandbridge values OWLT at \$1.074 billion, implying a ~6.2x EV/2022E Net Revenue multiple. This multiple is a discount to the EV/Revenue multiple of peers like Amwell and Inspire that trade at 22.9x and 28.4x 2022E revenue, respectively.

Chart 56: OWLT Is Attractively Valued and At a Discount to Peers



Source: Intro-act, OWLT

Chart 57: Valuation Benchmarking Across Multiple Segments



Source: Intro-act, OWLT

Chart 58: OWLT's Income Statement

(\$, 000)	CY19	CY20
Revenues	49,801	75,403
Cost of revenues	26,897	39,526
Gross profit	22,904	35,877
Operating expenses:		
General and administrative	14,020	13,140
Sales and marketing	15,323	19,263
Research and development	10,611	10,465
Total operating expenses	39,954	42,868
Operating loss	(17,050)	(6,991)
Other income (expense):		
Interest expense	(973)	(1,420)
Interest income	279	38
Preferred stock mark to market adjustment	(251)	(1,952)
Other income (expense), net	144	(176)
Total other expense, net	(801)	(3,510)
Loss before income tax provision	(17,851)	(10,501)
Income tax provision	-	(20)
Net loss	(17,851)	(10,521)
Weighted-average number of shares outstanding	10,132	10,694
Net loss per share attributable to common stockholders, basic and diluted	(1.76)	(0.98)

Source: Intro-act, OWLT

Investment Risks

- **Revenue concentration risk.** A substantial portion of OWLT’s sales comes through a limited number of retailers. Historically, OWLT has relied on a limited number of retailers for a substantial portion of its total sales. For example, sales through its top five retail customers represented 60.1% of its revenue for the year ended December 31, 2020. These retailers work with OWLT on a non-exclusive basis. If OWLT is unable to establish, maintain, or grow these relationships over time, or if these relationships grow more slowly than expected, OWLT is likely to fail to recover its costs and its operating results will suffer. The loss of any significant retail customer, whether related to its business or its products or services, could have an impact on the growth rate of revenue as it works to obtain new retail customers or replacement relationships.
- **Product concentration risk.** OWLT currently relies on sales of its Owlet Smart Sock technologies and related products for most of its revenue and expects to continue to do so for the foreseeable future. OWLT is highly dependent upon the continued success and market acceptance of the Owlet Smart Sock and related technologies that serve as the basis of its primary product offerings. Continued market acceptance will depend upon company’s ability to provide evidence that its products and services add value in care-giving activities. If caregivers do not prefer Owlet Smart Sock over competing products and services, they may not buy OWLT’s products and services in sufficient quantities to enable it to generate revenue growth from the sale of these products and services. That said, the company’s efforts to create an ecosystem of baby-tech products should help it manage this risk better in the medium to long term.
- **Regulatory risk.** If the FDA or any other governmental authority were to require clearance, approval, certification, or other form of marketing authorization for the Owlet Smart Sock, or for any other product that OWLT sells and which it does not believe requires such clearance, approval, certification or marketing authorization, the company could be required to cease selling or recall the product pending receipt of such clearance, approval, certification or marketing authorization from the FDA or such other governmental authority, which can be a lengthy and time-consuming process, and OWLT may also be subject to regulatory enforcement action.
- **Supply chain risk.** OWLT does not have manufacturing capabilities of its own. It currently relies on a single manufacturer located in Thailand, Benchmark, for the manufacture of its Owlet Smart Sock. Additionally, it currently relies on a separate single manufacturer located in China, Shenzhen Aoni Electronic, for the manufacture of our Owlet Cam. The company expects expect to rely on limited manufacturers for future products it may develop. While OWLT’s existing manufacturers have generally met its demand requirements on a timely basis in the past, their ability and willingness to continue to do so going forward may be limited for several reasons, including its relative importance as a customer of each manufacturer or their respective ability to provide assembly services to manufacture our products, which may be affected by the COVID-19 pandemic or other natural or man-made disasters.
- **Brand and reputation risk.** OWLT’s success depends substantially on its reputation and brand, which could be harmed by customer or third-party complaints or negative reviews or publicity about the company or its products and services. Some of these incidents may relate to actions taken (or not taken) with respect to social, environmental, and community outreach initiatives, the personal conduct of individuals, or perceived to be associated, with brand, and growth or rebranding strategies. OWLT is heavily dependent on customers who use its products and services, in particular its Owlet Smart Sock, to provide good reviews and word-of-mouth recommendations to contribute to the growth of brand and reputation.
- **Competitive intensity risk.** OWLT’s target market is highly competitive and will continue to evolve and may be significantly affected by new product introductions and other market activities of industry participants. Certain competitors may substantially greater capital resources, larger product portfolios, larger user bases, larger sales forces, and greater geographic presence, and may build relationships with retailers and distributors that may be more effective than OWLT’s, resulting in increased competition and potentially market share loss for OWLT.

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